



FINANCIAL STATEMENT



INDEPENDENT AUDITOR'S REPORT

To the Directors of
Banco Central de Reserva del Peru

Our opinion

We have audited the financial statements of **Banco Central de Reserva del Perú**, which comprise the statement of financial position as of December 31, 2023, the statement of income and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Banco Central de Reserva del Perú** as of December 31, 2023, its financial performance and its cash flows for the year then ended, in conformity with the accounting principles described in note 2 to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved for application in Peru by the Board of Deans of the Institutes of Peruvian Certified Public Accountants and in accordance with the Governmental Financial Audit Manual. Our responsibilities, under those standards, are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of **Banco Central de Reserva del Perú** (hereinafter the "Central Bank"), in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and the ethical requirements, which are relevant for our audit of the financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (KAM)	How our audit addressed the key audit matter
Information technology environment	
<p>The Central Bank has a technological infrastructure to support its operating activities, as well as continuous improvement plans, maintenance of access management, changes in systems and applications, development of new programs and controls dependent on Information Technology (IT) in the relevant operating processes. The controls to authorize, control, restrict and withdraw access to the systems and the management of changes to the programs are fundamental to mitigate the potential risk of fraud or error based on misuse or improper change in the Central Bank's systems, thus ensuring the integrity of the financial reporting and accounting records.</p> <p>The Central Bank has an integrated IT structure with different segregated processes and controls, which include third-party support in some cases; situation that leads to increased risks associated with information security and cybersecurity.</p> <p>The lack of an adequate general IT control environment and its dependent controls could affect the processing capacity for the preparation of the financial statements.</p> <p>The Central Bank is highly dependent on its technology structure for the processing of its operations, as well as for the preparation and fair presentation of its financial statements, which leads us to consider the IT environment as an important area in our audit.</p>	<p>With the participation of systems audit specialists, we performed, among others, the following procedures:</p> <ul style="list-style-type: none"> • We evaluated and tested the design and operating effectiveness of the IT general controls, evaluated the Central Bank's IT governance framework and the key controls over program and data access management, development and changes to programs, and IT operations. • We evaluated the mechanisms implemented by the Central Bank in order to respond to possible conflicts segregation of duties, including compensatory controls, when necessary. • We evaluated the existence of technology risk mitigation mechanisms and containment of cyber- attacks, preventive measures to ensure the continuous operation of its security and access controls, identity and access management, among others, that contribute to mitigating cybersecurity risks.

Key Audit Matters (KAM)	How our audit addressed the key audit matter
Investments in securities from international institutions (Notes 2.B.(b) and 5 to the financial statements)	
<p>At December 31, 2023, the amount of investments in securities from international entities totals S/212,009 million.</p> <p>One of the main functions of the Central Bank is to manage the country's international reserves. International reserves contribute to the economic and financial stability of the country, to the extent that they guarantee the availability of currencies in extraordinary situations.</p> <p>The international reserves administered by the Central Bank are mainly composed of investments in securities from international entities, which correspond to first-class, low- risk financial debt instruments issued by international organizations or foreign public entities.</p> <p>The investments in securities from international entities are mainly recorded at their fair value through other comprehensive income in accordance with the business model defined by the Central Bank's management. The fair value is estimated on a daily basis according to the market prices available at the end of the day.</p> <p>Considering the above, this area was a key audit matter.</p>	<p>Our audit approach to address this issue included, among other procedures, the following:</p> <ul style="list-style-type: none"> • With the support of our systems specialists, we obtained an understanding of the management process of investments in securities from international entities and other related processes. We also identified and evaluated the IT dependencies and systems involved in the management process of investments in securities from international entities. • We tested the key controls related to the process of investment in securities from international entities. • We applied, among other procedures, the following tests: <ul style="list-style-type: none"> - We obtained the detail of investment in securities from international entities; we tested its completeness and, based on a sample, we compared the accuracy of the relevant data of the instrument; we tested the calculation of the amortized cost and its fair value. To determine the fair value, we considered price sources other than those used by the Central Bank. - We obtained external confirmations from the international custodians and compared the amount of the securities with the reports maintained by the Central Bank. - We tested the impairment of credit risk of investment in securities from international entities. - We reviewed the sufficiency of the information disclosed in the notes to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the annual report required by its Bylaws, which is not part of the financial statements or our auditor's report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion on that other information.

Regarding our audit of the financial statements, our responsibility is to read the other information indicated above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or if it appears that there is a materially misstatement in the other information for some other reason.

When we read and consider the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with the Central Bank's Corporate Governance.

Responsibilities of management and those in charge of Corporate Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Central Bank's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Central Bank or cease operations, or has no realistic alternative but to do so.

Those in charge with the Central Bank's Corporate Governance are responsible for overseeing the Central Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs, approved for application in Peru, and in accordance with the Governmental Financial Audit Manual, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, approved for application in Peru, and in accordance with the Governmental Financial Audit Manual, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Central Bank to be unable to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

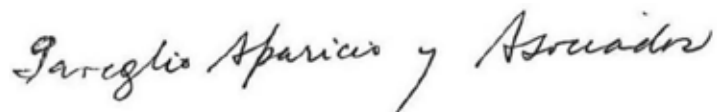
We communicated with those charged with the Central Bank's Corporate Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control that we identify during our audit.

We also provided those charge with the Central Bank's Corporate Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.


From the matters communicated with those charged with the Central Bank's Corporate Governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters. We have described these matters in our auditor's report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Peru

February 29, 2024

A handwritten signature in black ink, reading "Sergio Aparicio y Asociados".

Countersigned by

A handwritten signature in black ink, reading "Cecilia Hashimoto".

.....(partner)

Cecilia Hashimoto

Peruvian Public Accountant

Registration No.24793

STATEMENT OF FINANCIAL POSITION

As of December 31, 2023, and 2022

	<u>Note</u>	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Assets			
Gross International reserves			
Cash in foreign currency		177,149	372,457
Deposits at foreign banks	3	30,227,762	50,274,815
Deposits at foreign organizations	4	8,925,313	9,075,389
Securities from international institutions	5	212,008,987	202,966,413
Gold	6	8,519,045	7,731,051
Contributions to international organizations	7	4,274,144	4,467,251
Other available assets	20(b)(h)	104,823	226,752
		<u>264,237,223</u>	<u>275,114,128</u>
Other foreign assets			
Contributions in domestic currency to the International Monetary Fund	7(b)	4,802,180	4,794,573
Other external assets	11(b)	74,100	76,160
		<u>4,876,280</u>	<u>4,870,733</u>
Domestic credit			
	8		
To banks		21,771,870	31,812,532
To public sector		12,153,101	7,130,372
To financial enterprises		7,131	63,857
To other entities and funds		422,485	1,559,976
		<u>34,354,587</u>	<u>40,566,737</u>
Property, plant and equipment, net	9	160,805	160,785
Other assets	10	1,798,531	1,742,910
Total assets			
		<u>305,427,426</u>	<u>322,455,293</u>
Off balance sheet accounts	20	<u>260,071,045</u>	<u>253,792,017</u>

The accompanying notes are an integral part of these financial statements.

	<u>Note</u>	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Liabilities			
Reserve liability	20(b)(h)	1,059,919	1,382,273
Other foreign liabilities			
Equivalent of the contribution in domestic currency to the International Monetary Fund	7(b)	4,802,180	4,794,573
Other foreign liabilities	11	9,475,465	9,660,212
		<u>14,277,644</u>	<u>14,454,785</u>
Sterilized stock			
Issued securities in circulation	12	34,884,558	25,371,126
Deposits in domestic currency	13	63,978,733	85,746,846
		<u>98,863,291</u>	<u>111,117,972</u>
Monetary base	14		
Currency in circulation		86,747,016	90,417,535
Deposits in domestic currency		3,275,502	2,573,689
		<u>90,022,518</u>	<u>92,991,224</u>
Deposits in foreign currency	15	63,217,372	65,443,973
Other liabilities	16	2,314,082	3,217,438
TOTAL LIABILITIES		<u>269,754,827</u>	<u>288,607,665</u>
Equity	17		
Capital		1,182,750	1,182,750
Legal reserve		1,182,750	1,182,750
Special statutory reserve requirements		2,544,446	4,208,099
Fair value reserve		(985,928)	(5,890,286)
Retained earnings		193,912	(1,663,653)
Capital, reserves and results		<u>4,117,930</u>	<u>(980,340)</u>
Adjustment for valuation. Article No. 89 –Organic Act	17(e)	31,554,669	34,827,968
Total equity		<u>35,672,599</u>	<u>33,847,628</u>
TOTAL LIABILITIES AND NET EQUITY		<u>305,427,426</u>	<u>322,455,293</u>
Off balance sheet accounts	20	260,071,045	253,792,017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As of December 31, 2023, and 2022

	Note	2023 (S/ 000)	2022 (S/ 000)
Finance income			
Interest on deposits at foreign banks	3(b)	2,243,907	980,375
Net return on securities	5	5,523,805	2,161,021
Return on operations with derivative instruments	20(b)	324,735	208,673
Interest on international agreements and deposits at the IMF		414,307	121,213
Profits and dividends received from international institutions		10,833	4,156
Return on gross international reserves		8,517,587	3,475,438
Interest and fees on domestic credit operations	8(c)	4,206,520	4,182,486
Other finance income	20(i)	5,190	2,539
Total finance income		12,729,297	7,660,463
Non- finance income		15,140	12,669
Total income		12,744,437	7,673,132
Finance costs			
Interest on other liabilities abroad	11(c)	(367,120)	(107,692)
Interest on securities in circulation	12	(4,035,626)	(3,699,276)
Interest on domestic currency deposits	13	(4,515,517)	(4,012,666)
Interest on foreign currency deposits	15	(3,142,753)	(1,060,089)
Other finance costs	20(i)	(68,996)	(64,378)
Total finance costs		(12,130,012)	(8,944,101)
Operating expenses	21	(311,292)	(293,605)
Issuance expenses and costs	22	(109,221)	(99,079)
Total expenses		(12,550,525)	(9,336,785)
Net (loss) profit		193,912	(1,663,653)
Other comprehensive income	17(c)	4,904,358	(5,455,704)
TOTAL COMPREHENSIVE INCOME		5,098,270	(7,119,357)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

	Note	Share capital	Legal reserve	Special legal reserve requirements	Fair value reserve	Retained earnings	Total capital, reserves and profit or loss	Adjustment for valuation - article 89 of Organic Act	Total Equity
		(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Balance as of January 1, 2022		1,182,750	1,182,750	1,832,701	(434,582)	1,433,943	6,497,503	43,711,458	50,208,961
Net profit		-	-	-	-	(1,663,653)	(1,663,653)	-	(1,663,653)
Other comprehensive income	17(c)	-	-	-	(5,455,704)	-	(5,455,704)	-	(5,455,704)
Total comprehensive income		-	-	-	(5,455,704)	(1,663,653)	(7,119,357)	-	(7,119,357)
Transfer to statutory reserve	17(b)	-	-	1,075,457	-	(1,075,457)	-	-	-
Transfer of profits to Public Treasury		-	-	-	-	(358,486)	(358,486)	-	(358,486)
Adjustment for valuation - Article 89 of Organic Act	17(e)	-	-	-	-	-	-	(8,883,490)	(8,883,490)
Balance as of December 31, 2022		1,182,750	1,182,750	4,208,099	(5,890,286)	(1,663,653)	(980,340)	34,827,968	33,847,628
Net Profit / (Loss)		-	-	-	-	193,912	193,912	-	193,912
Other comprehensive income	17(c)	-	-	-	4,904,358	-	4,904,358	-	4,904,358
Total comprehensive income		-	-	-	4,904,358	193,912	5,098,270	-	5,098,270
Coverage of losses Allocation of the legal reserve and coverage of prior year's loss	17(b)	-	(1,182,750)	(480,903)	-	1,182,750	-	-	-
Transfer to statutory reserve	17(b)	-	1,182,750	(1,182,750)	-	-	-	-	-
Transfer of profits to Public Treasury		-	-	-	-	-	-	-	-
Adjustment for valuation. Article 89 of Organic Act	17(e)	-	-	-	-	-	-	(3,273,299)	(3,273,299)
Balance as of December 31, 2023		1,182,750	1,182,750	2,544,446	(985,928)	193,912	4,117,930	31,554,669	35,672,599

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOW

As of December 31, 2023, and 2022

	Note	2023 (S/ 000)	2022 (S/ 000)
Cash flows from operating activities			
Net (loss) profit		193,912	(1,663,653)
Adjustments to reconcile the profit with the cash and cash equivalents from operating activities			
Depreciation of property, plant and equipment	9	14,877	14,139
Amortization of intangible assets		1,568	1,422
Fixed assets write- off		513	125
Net change in assets, liabilities and equity			
Domestic credit		6,212,150	18,621,271
Other foreign assets		(5,546)	583,403
Other assets		(57,189)	(805,433)
Reserve liability		(322,353)	1,207,377
Other foreign liabilities		(177,141)	(1,517,118)
Securities in circulation		9,513,432	(2,995,288)
Deposits in domestic currency		(21,768,113)	(22,614,273)
Deposits of banks, financial enterprises and others (monetary base)		701,813	(1,164,297)
Deposits in foreign currency		(2,226,601)	(6,537,713)
Other liabilities		(903,358)	(2,366,447)
Fair value reserve		4,904,358	(5,455,704)
Adjustment for valuation - Article 89 of Organic Act		(3,273,299)	(8,883,490)
Transfer of profits to Public Treasury	17(d)	-	(358,486)
Cash and cash equivalents provided by (used in) operating activities		(7,190,977)	(33,937,009)
Cash flows from investing activities			
Additions of property, plant and equipment	9	(15,409)	(19,378)
Cash and cash equivalents used in investing activities		(15,409)	(19,378)
Net (decrease) of cash and cash equivalents		(7,206,386)	(33,956,387)
Cash and cash equivalents at the beginning of the year		184,696,593	218,652,980
Cash and cash equivalents at the end of the year	2.B(o)	177,490,207	184,696,593

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2023 and 2022

1. OPERATIONS**(a) Operations -**

Banco Central de Reserva del Perú (hereinafter the “Central Bank” or “BCRP”) is an autonomous legal institution of public law incorporated on March 9, 1922, in order to preserve monetary stability in Peru. Its activities are currently governed by Article 84 of the Political Constitution of Peru, dated December 29, 1993, and by its Organic Act approved by Decree-Law 26123, dated December 24, 1992 (hereinafter the Organic Act). According to the Organic Act, the Central Bank’s functions are to control the money supply, manage international reserves, issue currency, and report on domestic finance.

The Central Bank’s legal address and main office are located at Jr. Santa Rosa No. 441 - 445 (former Antonio Miró Quesada), Lima. It also has branches in 7 cities of Peru. As of December 31, 2023 and 2022, the Central Bank has 967 and 965 employees, respectively. They include bank workers, temporary workers, and workers with unpaid leave or unpaid temporary assignments.

The Central Bank represents Peru for the purposes specified in the constituent agreements of the International Monetary Fund (IMF) and the Latin American Reserves Fund (hereinafter “FLAR”, for its Spanish acronym) and is responsible for all transactions, operations and formal relationships with these organizations. The Central Bank may also act as a Peruvian Government agent in its relations with multilateral credit organizations and financial agencies of foreign governments. The Central Bank has subscribed shares of the Bank for International Settlements (BIS), which is an organization responsible for promoting international financial and economic cooperation and serves as a bank for central banks.

According to the Organic Act, the Central Bank is not permitted to:

- Grant financing to the Public Treasury, except for acquisitions of securities issued by the Public Treasury in the secondary market; in which case the annual increase in the holding of said securities may not exceed at any time, measured at acquisition cost, 5% of the monetary base at the end of the prior year.
- Grant credits or any other form of financing to financial institutions that have outstanding and past due obligations with the Central Bank, nor may it grant loans or advances to its Directors.
- Provide guarantees, letters of guarantee or any other guarantee, use any form of indirect financing, or grant any type of insurance, except for operations entered into by the Central Bank in implementing reciprocal payment and credit agreements, which are exempt from the above prohibition.
- Allocate resources to create special funds aimed at granting credits or making investments to promote non-financial economic activities.
- Issue securities, bonds or contribution certificates of mandatory acquisition.
- Set sectorial or regional coefficients in the composition of the loan portfolio of financial institutions.

- Establish multiple exchange rate regimes.
- Purchase shares, except for those issued by international financial organizations or those needed to be acquired to strengthen banks or financial enterprises; participate, directly or indirectly, in the capital of commercial, industrial or any other enterprises.
- Own properties additional to those needed for its activities and those transferred to it in payment of debts (the latter must be sold within a term not exceeding 1 year after their acquisition date).

Equity -

According to Article 93 of the Organic Act, if the Central Bank incurs losses, they must be covered by the balance presented in the account "Statutory reserve", established with prior year profits. If this reserve is insufficient, within thirty days of the approval of the statement of financial position, the Public Treasury issues and grants to the Central Bank interest bearing negotiable debt securities for the non-covered amount.

The profit recorded as of December 31, 2023 amounts to S/ 194 million and is associated with:

- i) the greater income in foreign currency, mainly generated by the interest obtained from the investment of the International Reserves, which increased due to the context of higher international interest rates recorded since mid-2022; and;
- (ii) the higher cost of sterilization operations, in line with a reference interest rate of the monetary policy which stood at 7.75 percent between January and August, and which progressively decreased to 6.50 percent in December. These stricter monetary conditions in Soles occurred in a context of high inflationary pressures which began easing starting in mid-year.

The net loss for the year 2022 amounted to S/ 1,664 million. On March 30, 2023, the coverage of the net loss for the year 2022 was applied (in accordance with Article No. 93 of the Organic Act). For this purpose, the balance of the Legal Reserve of S/ 1,183 million was used and subsequently S/ 481 million was transferred from the Statutory Reserve to the Legal Reserve to cover the difference in the loss. Finally, part of the balance of the Statutory Reserve was used to restore the Legal Reserve.

On May 24, 2022, 25% of the 2021 net profits was allocated to the Public Treasury; transferring S/ 358 million to the principal account in domestic currency of the Ministry of Economy and Finance (hereinafter "MEF") (note 17.d).

The rescue option, as well as the amortization of interest, commissions and other expenses generated by the bonds received from the Public Treasury, will be charged to the profits of the Central Bank, which correspond to the Public Treasury, in accordance with what is stipulated by article No. 92 of its Organic Act.

Approval of the financial statements -

The financial statements as of and for the year ended December 31, 2023, prepared in accordance with the accounting policies described in note 2, were issued with Management approval on January 19, 2024. The financial statements as of December 31, 2022 and for the year then ended were approved by the Board of Directors at its meeting held on January 18, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Central Bank criteria

According to Article 88 of the Organic Act and the criteria approved by the Board of Directors, the accounting policies used by the Central Bank are:

- (a) The criteria approved by the Board of Directors based on its powers (Article 88 of the Organic Act); and,
- (b) The International Financial Reporting Standards (IFRS) issued and adopted by the International Accounting Standards Board (IASB), made official through resolutions issued by the Peruvian Accounting Board (CNC, for its Spanish acronym), effective December 31, 2023 and 2022, as applicable for the Central Bank, and the standards established by the Superintendency of Banking, Insurance and Private Pension Fund Administrators (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS).

The criteria established by the Board of Directors of the Central Bank that differ from the IFRS are mainly the following:

i. Recognition of changes due to fluctuations in exchange rates

The Central Bank records the adjustment for changes in the prices and exchange rates of assets and liabilities in gold, silver, currencies, Special Drawing Right (SDR) and other monetary units of international use in "Valuation adjustment– Article 89 of Organic Act" in the statement of changes in equity. According to the Peruvian GAAP, the results of the aforementioned valuations shall be included in profit or loss of the period in which they were generated.

BCRP indexed certificates of deposit (CDR BCRP, for their Spanish acronym) are recorded at face value, and the Central Bank recognizes the changes due to fluctuations in exchange rates in 'Valuation adjustment– Article 89 of Organic Act in the statement of changes in equity (see paragraph (v) below).

As of December 31, 2023 and 2022, the adjustment was recorded in equity, and corresponds to a decrease of S/ 3,273 million and S/ 8,883 million, respectively, see notes 2.B(d) and 17(e).

According to the IFRS, the results of the above-mentioned valuations must be included in the results for the year in which they were generated.

ii. Recognition of embedded derivatives

Financial instruments which contain embedded derivatives will be recognized and treated separately from other financial instruments; and both the host contract and the value of the embedded derivative will be dealt with together.

According to the IFRS, embedded derivatives of a main (or host) agreement must be treated like separate derivative instruments and recorded at their fair value if their economic risks and characteristics are not closely related to those of the host contract.

iii. **Statement of cash flows**

The preparation of the statement of cash flows is carried out by the Central Bank considering as cash and cash equivalents, the balance of the accounts which comprise the "Gross international reserves" less the balance of the account "Currency in circulation", as indicated in note 2.B(o). Likewise, the Central Bank prepares and presents the statement of cash flows applying the indirect method.

According to the IFRS, cash and cash equivalents correspond to available funds, short term, highly liquid instruments, easily convertible into a determined amount of cash, which are subject to an insignificant risk of changes in their value, with maturities no more than 90 days from the acquisition date.

iv. **Disclosure of financial instruments**

As of December 31, 2023 and 2022, the Central Bank has not fully applied the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments.

These standards require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the Entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which the Entity is exposed during and at the end of the reporting period, and how the entity manages those risks. The Central Bank does not apply the disclosures related to derivative financial instruments, mainly with regard to risk disclosures.

v. **Measurement of exchange rate related instruments**

The Central Bank has foreign exchange instruments such as: operations with derivatives held-for- trading (note 2.B(e.i)), operations with CDR BCRP (note 2.B(k)) and operations with foreign exchange swaps (note 2.B(e.ii)).

Gains and losses from changes in the fair value of these instruments and in the exchange rate are recorded in "Valuation adjustment– Article 89 of Organic Act" in equity, without affecting the profit or loss for the period in any case.

According to IFRS, the aforementioned valuations shall be recorded as a gain or loss in the statement of profit or loss and other comprehensive income.

vi. **Securities issued by the MEF**

- The Central Bank receives bonds from the MEF, issued in Soles through the Public Treasury, to cover any loss in compliance with Article 93 of the Organic Act (notes 1 and 17.D). Such bonds are initially recorded as financial assets at face value in "Domestic credit" in the statement of financial position.

According to the IFRS, said bonds do not qualify as financial assets, since the amortization of the interest in favor of the Central Bank, is made through dividends that the Central Bank itself has the obligation to transfer to the Public Treasury when it presents profits, see note 1.

At December 31, 2023 and 2022, no balance of these bonds is maintained in the accounting of the Bank.

- The Central Bank classifies the financial instruments in foreign currency issued by the MEF as investments measured at fair value through other comprehensive income (FVOCI). They are recorded in "Domestic credit" in the statement of financial position. The fair value of these financial instruments is measured based on market prices.

Changes in the fair value of these financial instruments acquired until December 31, 2015, are determined by comparing the carrying amount (acquisition cost) with the fair value, excluding the amortized cost. They are recorded in equity until the financial instrument is sold or realized. Premiums or discounts arising on the acquisition of the instrument are recorded as income or expense when the instrument is settled.

Changes in the value of these financial instruments acquired from January 1, 2016, are determined by comparing the fair value with the amortized cost, which is calculated using the effective interest method.

The gains and losses generated by exchange rate variations are recorded in the caption "Valuation adjustment Article 89 – Organic Act" of equity, in no case affecting results for the year.

B. Accounting principles

The main accounting principles and policies used in preparing the accompanying financial statements are the following:

(a) Basis of preparation and use of estimates

The accompanying financial statements have been prepared in sole from the accounting records of the Central Bank, in accordance with the accounting principles approved by the Board of Directors; of the Central Bank and they are presented in values rounded to thousands of soles.

The preparation of the accompanying financial statements requires Management to formulate estimates that affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of significant events in notes to the financial statements. The final results may differ from said estimates. Estimates are reviewed on an ongoing basis and are based on historical experience and other factors. The most significant estimates related to the financial statements correspond to the valuation of securities from international entities, which include available for sale investments, actuarial reserves for retirement, survivor, health care and burial benefits, the accounting principles of which are described in the respective notes to the financial statements.

The information included in these financial statements is the responsibility of the Management and Board of Directors of the Central Bank, who expressly confirm that all the applicable principles and criteria of the Central Bank have been applied in their preparation.

(b) Financial instruments

According to the Central Bank's policies, the securities issued by the MEF are considered as financial assets and they are recognized and measured as indicated in attached notes 2.A(vi) and 2.B(r).

Other financial instruments are classified as assets, liabilities, or equity according to the contract that gave rise to them. financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or a liability are recorded as income or expense. Financial instruments are offset when the Central Bank has a legally enforceable right to offset them, and Management intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets recognized in the statement of financial position correspond to: gross international reserves, other external assets, domestic credit, assets recorded in "other assets", except for those classified as non-financial assets (note 10). Financial liabilities correspond to all liabilities in general, except for those classified as non-financial liabilities in "other liabilities" (note 16). The accounting policies with regard to the recognition and measurement of these items are disclosed in the accounting policies described in this note.

i. *Initial recognition and measurement*

At initial recognition, financial instruments are measured at fair value, plus transaction costs that are directly attributable to the acquisition of these instruments.

ii. *Classification*

Securities from international entities are classified as investments at amortized cost and investments at FVOCI. The Central Bank does not use the category of financial assets of FVTPL.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- It is held within a business model the objective of which is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Financial assets measured at FVOCI

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- It is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

iii. *Subsequent measurement*

Financial instruments measured at amortized cost

A financial instrument is measured at amortized cost in order to amortize the premiums or discounts on such instrument from its acquisition date to its date of

maturity using the effective interest rate. The calculated amortization is recorded by increasing or decreasing the carrying amount of the instrument with the offsetting entry in profit or loss. Instruments initially recorded at face value are not amortized.

Financial instruments measured at FVOCI

For securities from international entities and securities issued by the Public Treasury:

- First, a financial instrument is measured at amortized cost in order to amortize the premiums or discounts on such instrument from its acquisition date to its date of maturity using the effective interest rate. The calculated amortization is recorded by increasing or decreasing the carrying amount of the instrument with the offsetting entry in profit or loss. Financial instruments acquired at face value are not amortized.
- In addition, the instruments classified as measured at FVOCI are also measured on a daily basis at market prices, comparing them with the instrument's last amortized cost or acquisition cost (in case they have been recently acquired). Adjustments to market prices are recorded by increasing or decreasing the carrying amount of the instrument, crediting the offsetting entry to fair value reserve in equity.

Fair value is the market price provided on a daily basis by the financial information service available in the Central Bank (information provided to date mainly by Bloomberg, specialized provider of the financial market, recognized worldwide).

In Management's opinion, said information reasonably reflects the fair value of investments in international securities, considering the market data and accounting policies established by the Board of Directors of the Central Bank.

When the investment is sold or realized, gains or losses previously recognized in equity are transferred to the profit or loss for the year, excluding the effects of the exchange differences, which are recorded as indicated in paragraph (d) below.

Interest earned is calculated and recorded using the nominal interest rate (coupon rate) on the face value of the investment. It is recorded in "net return on securities" in the statement of profit or loss and other comprehensive income.

iv. *Impairment of financial assets*

The Central Bank's Management evaluates, on each presentation date of the financial statements, whether there is objective evidence that its financial assets measured at amortized cost or at fair value through other comprehensive income present changes in credit risk since their initial recognition.

The Central Bank's Management periodically monitors credit risk, based on the most recognized risk rating agencies, in order to evaluate whether there is any evidence of significant increase in said risk since its initial recognition, which may have a significant impact on the investment portfolio, and therefore is considered as a permanent reduction in its market value. Furthermore, Management considers that its investments have a low credit risk, through the evidence obtained that certifies a low risk of non-compliance for each investment instrument and for each issuer thereof.

In the event that the reduction in the market value of the investments proves to be permanent or due to credit impairment of the issuer, the respective provisions will be established affecting the results for the year.

(c) *Income and expense recognition*

Interest income and expenses are calculated using the effective interest rate method and are recognized in the income statement for the year in which they accrue, based on the term of the transactions that generate them and the interest rates agreed upon.

Gains and/or losses on embedded derivatives not related to the exchange rate in the investment are recognized in profit or loss for the period on their maturity date.

Other income and expenses are recognized as earned or incurred in the period in which they accrue.

When there are reasonable uncertainties about the collectability of the principal of a financial instrument, interest is recognized as income to the extent to which there is reasonable certainty of its collection.

(d) *Foreign exchange transactions*

The Central Bank prepares and presents its financial statements in soles, which is its functional and presentation currency.

Assets and liabilities in foreign currency are recorded at the exchange rate of the date on which transactions are entered into and are stated in soles using the buying rate established by the SBS for operations in U.S. dollars. Balances in other currencies are stated at the exchange rates provided by Bloomberg (note 24.B(iii)).

For the payment of liabilities in foreign currency to the Central Bank's suppliers and the recording of tax withholding, as applicable, the Central Bank uses the average selling rate of the U.S. dollar related to the sol published by the SBS.

The Central Bank recognizes the adjustment to exchange rates in "Valuation adjustment – Article 89 of Organic Act" in equity.

(e) *Derivative financial instruments*

The Central Bank has derivative financial instruments held-for-trading and embedded derivatives.

i. *Derivatives held-for-trading.*

The reference price (committed face value) of forward and future operations is recorded in "off-balance sheet accounts" (notes 20(b) and 20(h)), and subsequently measured at fair value. Fair values are calculated based on exchange rates, interest rates and market prices.

Interest on investment of the underlying asset plus the higher amount received in the currency used for foreign exchange swaps (simultaneous operations of

foreign currency purchase and sale, one using the spot exchange rate and the other, the forward exchange rate), which equals the increase in currency from the agreed forward points, are recorded in the statement of profit or loss and other comprehensive income. Thus, the effect recorded in "Valuation adjustment – Article 89 of Organic Act" in equity, corresponds to the measurement of the underlying asset during the term of the foreign exchange swap plus (less) the exchange rate effect from the changes in the quotation of the foreign currencies in relation to the domestic currency.

Gains and losses from changes in the fair value of future and forward operations are recorded in "Return on operations with derivative instruments" in the statement of profit or loss and other comprehensive income and in "Valuation adjustment–Article 89 of Organic Act" in equity, respectively, recognizing an asset or in the statement of financial position, as applicable.

ii. ***Foreign Exchange swaps***

Foreign exchange swaps (FX Swaps), whose notional amount is recorded in memorandum accounts (note 20(c)), correspond to transactions in which one of the parties undertakes to pay a variable interest rate on a notional amount in local currency in exchange for the counterparty paying a fixed interest rate on the equivalent notional amount in U.S. dollars, and also paying the exchange difference determined on the notional amount in U.S. dollars.

The Central Bank calculates interest receivable and payable, which are recognized in the statement of income and other comprehensive income in the period in which they are accrued, within "other finance income" and "other finance costs", with a balancing entry in "other assets" and "other liabilities" in the statement of financial position, respectively. Likewise, the Central Bank recognizes the exchange difference on the notional amount committed in U.S. dollars in the caption "Valuation adjustment article No. 89 - Organic Act" of the shareholders' equity, with a balancing entry in the asset and liability captions mentioned above, as appropriate.

At maturity of the transaction, the settlement is made in soles at current exchange rates.

iii. ***Interest rate swaps (IRS)***

The Central Bank recognizes the interest receivable and payable related to these operations in the statement of profit or loss and other comprehensive income in the period in which they are accrued, in the accounts "Interest and fees on domestic credit operations" and "Interest on securities in circulation", respectively; with offsetting entry in the headings "Other assets" and "Other liabilities" of the statement of financial position, respectively.

Additionally, for the interest rate swaps agreed at an original term of more than 15 months, the fluctuations in their fair value are recognized on each reporting date in the statement of profit or loss and other comprehensive income, in the headings "Interest and fees on domestic credit operations" or "Interest on securities in circulation", with offsetting entry in the headings "Other assets" and "Other liabilities" of the statement of financial position, respectively.

The fair value of the interest rate swaps is equal to the difference between the present value of the fixed payments, less the present value of the variable payments, taking as discount factor the curve of CD BCRP, and the zero-coupon curve constructed on the basis of the yields of the Peruvian Treasury Bonds.

iv. *Embedded derivatives*

The Central Bank recognizes the measurement of instruments containing embedded derivatives at the reporting date in "fair value reserve" in net equity. The measurement of instruments, without separating the embedded derivative from its host contract, is obtained from the financial information service available in the Central Bank.

The effect of the measurement of the instrument is recorded on the date of maturity in "net yield on securities" in the statement of profit or loss and other comprehensive income. As of December 31, 2023 and 2022, the Central Bank does not have instruments containing embedded derivatives.

(f) *Gold*

Gold holdings are valued using the quoted prices in the New York market, provided daily by Bloomberg. The result of said measurement is recorded in "Valuation adjustment– Article 89 of Organic Act" in net equity.

(g) *Transactions with international organizations*

Contributions to international organizations

This caption corresponds to contributions made by the Central Bank to the IMF, FLAR and BIS recorded at the face value of the contribution, which represents the acquisition cost since it is said amount that the Central Bank would have the right to receive in case it ceased to be a member of some of the above institutions. These contributions cannot be traded with third parties.

Returns on such contributions are recognized when accrued, and dividends, when declared.

Allocations of Special Drawing Rights (SDR)

The recognition of the allocations of SDR with the IMF involves a charge to an asset account in foreign currency which forms part of the "Gross International reserves" and a credit to a liability account in foreign currency, which is part of the item "Other external liabilities" and constitutes a long-term obligation. Both concepts are initially recognized at cost, subsequently they are measured at their adjusted value and are presented in the statement of financial position of the Central Bank.

(h) *Collections*

Collections mainly correspond to works of art (archeological objects, paintings, sculptures, among others) and collectible coins acquired and/or received in donation. They are valued at their acquisition cost or face value. Due to their nature, these assets have an indefinite useful life. Therefore, they are not depreciated and are recognized in "other assets" in the statement of financial position, note 10. The acquisition cost of donated assets is recorded

in “other income” in the statement of profit or loss and other comprehensive income and is determined based on the fair value estimated by specialists when they are received.

(i) *Property, plant and equipment*

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Repair and maintenance expenses are charged to profit or loss, and significant renewals and improvements are capitalized when: i) it is probable that future economic benefits associated with the asset will flow to the Central Bank; and ii) its cost can be measured reliably. Cost and accumulated depreciation of disposed of or sold assets are removed from their accounts, and any resulting gain or loss is recorded in profit or loss for the period.

Units pending receipt are measured at acquisition cost and are not depreciated until they are in working condition.

Depreciation

Land is not depreciated. Depreciation of assets under this heading is calculated on a straight-line basis using the following estimated useful lives:

	Years
Buildings and other constructions	100
Machinery and equipment	10
Vehicles	5
IT equipment	3

(j) *Impairment of long-lived assets*

Whenever events or changes in the economic environment indicate that the carrying amount of a long-lived tangible asset may not be recoverable, the Central Bank reviews the carrying amount of its assets in order to verify that there is no permanent impairment in its value.

When the carrying amount of a tangible asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit or loss and other comprehensive income. The recoverable amount is the higher of net selling price and value in use. Net selling price is the amount that can be obtained from selling a tangible asset in a free market, while value in use is the present value of the estimated future cash flows expected to be provided by the continued use of an asset and its subsequent disposal at the end of its useful life. Recoverable amounts are estimated for each asset or, if not possible, for each cash-generating unit (CGU).

Management annually assesses whether the carrying amount exceeds the recoverable amount of its long-lived tangible assets based on available market information.

(k) *Sterilized stock*

This caption corresponds to liabilities in domestic currency. It comprises securities in circulation and deposits in domestic currency from the public sector and financial enterprises,

which are not included in reserve requirements. The sterilized stock corresponds to the Central Bank's monetary operations to withdraw liquidity from the financial system, as well as deposits of financial institutions which, in case of reversal, would involve an increase in the monetary base.

Securities in circulation are measured at face value, and accrued interest is recognized in profit or loss. Discounts granted at placement are deferred and amortized during the term of the instrument using the effective interest method.

The CDR BCRP's carrying amount is adjusted for changes in the exchange rate of the U.S. dollar with respect to the sol. Those changes are recognized in "Valuation adjustment – Article 89 of Organic Act" in equity.

(l) *Currency in circulation*

This caption includes banknotes and coins of legal tender issued by the Central Bank, which are held by the public and are recorded as liabilities at face value in "monetary base" in the statement of financial position.

Currency not in circulation and in the Central Bank's vaults is measured at face value in off-balance sheet accounts.

(m) *Employee benefits*

According to Article 58 of the Bylaws, the Central Bank annually transfers resources to the Disease, Insurance and Pension Fund of Employees (hereinafter "the Fund") to meet the payment of obligations to its employees. The amount of transfers from the Central Bank to the Fund is approved each year by the Board of Directors.

The Central Bank has the following defined benefit plans:

- Supplementary subsidy for retirement, widow, and burial benefits; and
- Other supplementary retirement benefits, related to health care benefits granted by the Central Bank.

The cost of providing benefits through defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial gains and losses of both defined benefit plans are recognized in full in the results of the year in which they occur.

The defined benefit asset or liability includes the present value of the obligation, which is determined using mortality tables and a discount rate based on high quality marketable debt, note 16(a), less past service costs and the fair value of plan assets to be used to settle those obligations. Plan assets are administered by a long-term employee benefit fund. Plan assets are not available to the Central Bank's creditors, nor are they payable directly to the Central Bank. The fair value of these assets is based on market price information.

The net assets held by the Fund, which are considered by the Central Bank in reducing the actuarial reserve liability, consist of the value of deposits and loans, net of its obligations.

As part of other long-term benefits, the Central Bank grants seniority benefits to its active employees. The amount of the obligation for these benefits is estimated annually based on available information projected at year-end and then the present value of the obligation is determined.

The expense is recognized on an accrual basis and any gain or loss on the estimate of the obligation is recorded directly in the statement of income affecting the results for the period.

The subsidy items for the retirement pension supplement, widow's and widower's pensions, funeral subsidies and other long-term and/or supplementary retirement benefits, deducted from the present value of the Fund's net assets, are recorded in the caption "Other liabilities" in the statement of financial position, note 16(a).

(n) Operating expenses and currency issuing costs

Operating expenses and currency issuing costs are recognized in profit or loss of the period in which they are incurred.

Minting cost of coins and coin blanks includes the expenses for raw materials, labor costs and production overheads.

Expenses for printing banknotes and costs of minting coins are initially recognized in "other assets" in the statement of financial position (note 10(b) and (d)) and are subsequently recognized in profit.

(o) Cash and cash equivalents

This caption, comprises gross international reserves, net of currency in circulation recorded in "monetary base" in the statement of financial position, as follows, at December 31:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Gross international reserves	264,237,223	275,114,128
Less:		
Currency in circulation	<u>(86,747,016)</u>	<u>(90,417,535)</u>
Cash and cash equivalents	<u>177,490,207</u>	<u>184,696,593</u>

The difference between total gross international reserves and reserve liabilities (including obligations with international entities) represents net international reserves.

These net international reserves reflect the international liquidity of the country and its financial capacity compared to other countries and correspond to the resources available to the Central Bank to meet its obligations in foreign currency.

(p) Provisions

A provision is only recognized when the Central Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the

obligation. Provisions are reviewed annually and adjusted to reflect the best estimate at the date of the statement of financial position.

When the effect of the time value of money is significant, the amount of the provision is the present value of the disbursements expected to be incurred to settle it.

The expense corresponding to any provision is presented in the statement of income and other comprehensive income, net of any related reimbursement.

(q) Contingencies

Contingent liabilities are not recognized in the financial statements. They are only disclosed in the notes to the financial statements except when the possibility of an outflow of economic resources to cover a contingent liability is remote.

Contingent assets are not recognized in the financial statements, they are only disclosed in a note to the financial statements when it is probable that an income of resources will occur.

(r) Domestic credit

Domestic credit is comprised of the following:

- (i) Investments in instruments issued in Soles and in foreign currency by the MEF, through the Public Treasury, which are recorded and classified as investments measured at fair value through other comprehensive income. The initial recording and subsequent measurement of these investments are made in accordance with the criteria described in note 2.A.(vi).
- (ii) Internal credit comprises reportable transactions, which are recorded and classified in accordance with the criteria described in paragraph (b) of this note:
 - Repurchase transactions of credits guaranteed by the National Government represented in securities, in which the participating entities sell securities representing credits guaranteed by the National Government to the Central Bank, receive in exchange local currency and are obliged, in the same act, to repurchase such securities at a later date, against payment of local currency. These transactions are part of the "Reactiva Perú" program created to promote the financing of the replacement of working capital funds to companies facing short-term payments and obligations with their workers and suppliers of goods and services, in order to ensure continuity in the economy's payment chain. These transactions are recognized as assets in the statement of financial position with a balancing entry in the "Deposits in local currency" account. The amounts placed in these operations correspond to the guaranteed amounts of the credits subject to such operations.
 - Transactions of credit portfolio represented in securities, in which the participating entities sell credit portfolios represented in securities to the Central Bank, receive in exchange local currency (amount of the sale asset side of the statement of financial position with a balancing entry in the "Deposits in local currency" or "Deposits in foreign currency" account, depending on the currency of the transaction).

- Sales transactions with a commitment to repurchase securities (securities repurchase agreements) in order to inject liquidity in local currency, mainly to companies in the financial system. This operation consists of the purchase of securities at the beginning of the operation, where the financial system companies transfer the ownership of the securities to the Central Bank and at the maturity of the reporting operation, the financial system companies repurchase the same securities and the Central Bank transfers the ownership of these securities to them. These transactions are recognized as assets in the statement of financial position with a balancing entry in the "Deposits in local currency" account.
- Currency repurchase transactions, which are transactions in which the participating entities sell foreign or local currency to the Central Bank in exchange for local or foreign currency and are obliged, in the same act, to repurchase the currency sold at a later date at market exchange rates. These transactions are recognized on the asset side of the statement of financial position with a balancing entry in the "Deposits in local currency" or "Deposits in foreign currency" account, depending on the currency of the transaction.

(s) Subsequent events

Events after the end of the reporting period that provide additional information regarding the financial position of the Central Bank as of the date of the statement of financial position (adjusting events) are included in the financial statements. Significant events after the reporting period that are non-adjusting events are disclosed in notes to the financial statements.

(t) New accounting pronouncements

A number of new amendments have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2024 and 2023:

Modificaciones	Fecha de aplicación efectiva
IFRS17 - Insurance contracts	Annual periods that begin on or after January 1, 2023. Early adoption is permitted.
Disclosure of accounting policies - Amendments to IAS1 and Practical Statement 2	Annual periods that begin on or after January 1, 2023. Early adoption is permitted.
Amendments to IAS 8 - Definition of Estimates Accounting	Annual periods that begin on or after January 1, 2023. Early adoption is permitted.
Amendments to IAS 1 – Classification of liabilities as current or non- current	Annual periods that begin on or after January 1, 2024.
Amendment to IAS 7 - Disclosure for Supplier Financing Arrangements	Annual periods that begin on or after January 1, 2024. Early adoption is permitted.
Amendment to IFRS 7 - Disclosures for supplier financing arrangements	Annual periods that begin on or after January 1, 2024. Early adoption is permitted.
Amendments to IFRS 16 – Leases, Lease Liabilities in a Sale with Leaseback	Annual periods that begin on or after January 1, 2024. Early adoption is permitted.

Since the aforementioned standards, detailed previously are only adopted in addition to those established by the Organic Act and those issued by the Central Bank's Board of Directors, they will not have a significant effect on the preparation of the accompanying financial statements. The Central Bank has not estimated the effect on its financial statements if said standards were adopted.

Likewise, the Central Bank's Management estimates that the standards issued and effective for periods subsequent to January 1, 2024 will not have a significant effect on the preparation of the accompanying financial statements. The Central Bank has not determined the effects of adopting said standards in the preparation of its financial statements, if adopted.

3. DEPOSITS AT FOREIGN BANKS

As of December 31, this caption comprises the following:

	2023 (S/ 000)	2022 (S/ 000)
Time deposits (a)	29,683,155	50,024,318
Interest due on term deposits (b)	96,027	94,798
	29,779,182	50,119,116
Demand deposits	4,357	4,448
Interest due on gold deposits	1,608	495
Portfolio deposits at foreign entities (c)	128,265	91,590
Investment guarantee at foreign entities (d)	314,350	59,166
	30,227,762	50,274,815

- (a) As of December 31, 2023 and 2022, term deposits are held at tier 1 foreign banks, accrue interest at international market rates and are mainly stated in U.S. dollars for USD 8,012 million and USD 13,137 million, respectively.

During 2023, deposits with foreign banks accrued interest at an average annual interest rate of 4.75% (3.36% as of December 31, 2022).

- (b) During 2023 and 2022, the Central Bank recognized interest income on deposits with foreign banks for S/ 2,244 million and S/ 980 million, respectively, which are recorded in "Finance income" in the statement of profit or loss and other comprehensive income.
- (c) As of December 31, 2023, the portfolio deposits at foreign entities are composed of call deposit accounts for USD 13.2 million and security deposits for financial derivatives for USD 21.3 million (2022: USD 13.1 million and USD 11 million, respectively).
- (d) As of December 31, 2023 and 2022, the investment guarantee at foreign entities for USD 84.8 million and USD 15.5 million, respectively, corresponds to guarantees for operations with securities, forwards, forex swap and futures, which increased due to the larger number of operations.

4. DEPOSITS AT FOREIGN ORGANIZATIONS

As of December 31, 2023 and 2022, this caption corresponds to deposits at the International Monetary Fund (IMF), stated in SDR, which accrue interest at average annual rates of 4.103 percent and 2.916 percent, respectively, and are not freely available, except in certain situations such as the presence of actual or potential balance of payments problems that require financial assistance from the IMF, or when there is a request for withdrawal of membership from this international organization.

In 2023 and 2022, the Central Bank recognized interest of S/ 414 million and S/ 121 million, respectively, which form part of "Interest on international agreements and deposits with the International Monetary Fund" in the statement of income and other comprehensive income.

5. SECURITIES OF INTERNATIONAL ENTITIES

As of December 31, this caption comprises the following:

	2023			2022		
	Cost (i)	Unrealized gross amount		Cost (i)	Unrealized gross amount	
		Increase (ii)	Decrease (ii)		Increase (ii)	Decrease (ii)
	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)
Financial assets measured at FVOCI						
At local entities						
Short- term bankers' acceptances (vi)	41,944,078	-	-	26,719,749	-	-
Short- term sovereign bonds (iv)	61,495,360	126	(846,159)	63,966,000	161	(1,368,261)
Short- term supranational bonds (v)	7,811,908	-	(69,630)	12,213,111	17	(140,082)
Long- term sovereign bonds (iv)	83,708,120	357,477	(809,097)	89,345,177	34,339	(3,405,486)
Long- term supranational bonds (v)	10,774,841	477,605	(113,702)	9,000,368	370,142	(348,402)
	205,734,307	835,208	(1,838,588)	201,244,405	404,659	(5,262,231)
						196,386,833
Accrued interest	-	-	-	-	-	-
						634,392
						197,021,225
At foreign entities						
Fixed income securities – PIMCO	1,983,488	26,886	(30,179)	2,046,609	66	(96,132)
Fixed income securities – AMUNDI	1,961,268	15,115	(41,381)	2,040,926	1,598	(95,075)
Fixed income securities – BNP	2,059,927	20,689	(20,101)	2,068,008	602	(40,421)
	6,004,683	62,690	(91,661)	6,155,543	2,266	(231,628)
Accrued interest	-	-	-	-	-	-
						19,007
						5,945,188
						202,966,413

(i) It corresponds to the amortized cost.

(ii) It corresponds to the temporary decrease in the market price of the investments.

(iii) It corresponds to the estimated market price of financial assets measured at FVOCI (note 17.c).

(iv) As of December 31, 2023, and 2022, it corresponds to securities issued by central governments. The Central Bank's portfolio as of December 31, 2023, and 2022, is mainly invested, 55.2 percent and 44.4 percent, respectively, in sovereign bonds issued by the U.S. Government.

(v) As of December 31, 2023, and 2022, it corresponds to securities issued by supranational entities, such as the Bank for International Settlements (BIS), the European Investment Bank (EIB), the World Bank - International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ASIAN), among others.

(vi) As of December 31, 2023, and 2022, it mainly includes bankers' acceptances.

In 2023 and 2022, the delegation framework of a part of the investment portfolio of the international reserves held at tier 1 foreign financial institutions which manage the portfolios was maintained under the guidelines established by the Central Bank. Accordingly, since 2020 the following three specialized firms have rendered services to the Central Bank: BNP Paribas Asset Management USA, Inc., Pacific Investment Management Company LLC., located in USA and Amundi Asset Management, located in United Kingdom.

As of December 31, the maturities and the nominal annual interest rates of the investments are as follows:

		Maturity	Annual nominal interest rate (i)							
			2023				2022			
			2023		2022		2023		2022	
			USD		Other currencies		USD		Other currencies	
			Min. %	Max. %	Min. %	Max. %	Min. %	Max. %	Min. %	Max. %
Financial assets measured at FVOCI										
At local entities										
Short- term banker's acceptances	Jan-2024 / Feb 2024	Jan- 2023 / Mar- 2023	5.55	5.87	5.13	5.32	4.57	5.07	1.22	4.56
Short term sovereign bonds	Jan-2024 / Dec 2024	Jan- 2023 / Dec- 2023	0.13	5.97	(0.26)	5.25	0.13	5.28	-0.32	5.50
Short- term supranational bonds	Jan-2024 / Dec-2024	Jan- 2023 / Dec- 2023	0.38	5.93	1.45	1.80	0.25	5.70	0.50	1.70
Long- term sovereign bonds	Jan-2025 / Nov-2028	Jan- 2024 / Apr- 2026	0.25	6.30	0.13	5.00	0.13	5.57	0.13	5.25
Long- term supranational bonds	Jan-2025 / Oct-2028	Feb- 2024 / Jun- 2026	0.38	6.00	0.63	4.40	0.38	5.25	0.75	4.00
At foreign entities										
Fixed income securities – PIMCO	Jan-2024/Set-2073	Jan- 2023/ Jan 2052	-	5.87	-	3.25	0.00	5.31	2.25	2.25
Fixed income securities – AMUNDI	Feb-2024/Oct-2053	Feb- 2023/ Aug- 2051	0.13	6.50	-	4.75	0.00	4.50	0.00	4.75
Fixed income securities – BNP	Mar-2024/May-2053	Jan- 2023/ Mar- 2050	0.34	6.50	-	4.40	0.14	6.50	0.63	4.40

(i) It corresponds to the coupon rate for investments in bonds, and the discount rate for certificates of deposit, bankers' acceptances, commercial papers and other fixed income securities, excluding premiums or discounts obtained on the acquisition date of the instruments at coupon rate.

As of December 31, 2023 and 2022, securities from international entities correspond to tier 1, low risk financial instruments. Securities issued by international organizations or foreign public entities have risk ratings of at least A, according to the credit rating agencies Moody's and Standard & Poor's. Certificates of deposit and bankers' acceptances have a risk rating of at least A according to Fitch, Moody's and Standard & Poor's. These securities accrue interest at international market rates and are held at tier 1 foreign banks.

The following table shows the balance by maturity of financial assets measured at FVOCI, excluding interest:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Up to 3 months	66,212,117	44,493,240
3-12 months	45,198,004	58,239,349
1 to 3 years	88,646,738	94,965,184
3 to 5 years	7,388,003	1,608,681
More than 5 years	3,261,777	3,006,560
Total	<u>210,706,639</u>	<u>202,313,014</u>

In 2023 and 2022, the Central Bank recognized income for net yield on securities for S/ 5,524 million and S/ 2,161 million, respectively, which form part of "Finance Income" of the statement of profit or loss and other comprehensive income. Likewise, during the years 2023 and 2022, a decrease of S/ 4,055 million and S/ 4,909 million, respectively, was recorded in the caption "fair value reserve" of equity (note 17.c).

6. GOLD

As of December 31, this caption comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
In Peru		
Gold coins (a)	4,220,216	3,830,162
Provision for costs of converting gold into high purity or "good delivery" bars	(2,530)	(2,600)
	<u>4,217,686</u>	<u>3,827,562</u>
Abroad		
Gold Deposits (b)	4,301,359	3,903,489
Total	<u>8,519,045</u>	<u>7,731,051</u>

(a) As of December 31, 2023, and 2022, it corresponds to 552,033 and 552,078 troy ounces in commemorative coins, respectively, deposited in the vaults of the Central Bank, which are valued at quotation value per troy ounce on the above-mentioned dates.

(b) As of December 31, of 2023 and 2022, it corresponds to Gold Deposits of 562,647 troy ounces of gold, in high purity or "good delivery" gold bars deposited in tier 1 foreign banks under term deposits.

As of December 31, 2023, these term deposits accrue interest at an annual rate between 0.25 percent and have a term of 90 days from the date of their constitution (as of December 31, 2022, they accrued interest at a rate between 0.3 percent and 0.4 percent and had a term of 33 days from the date of their constitution).

The accrued interest pending collection at December 31 of 2023 and 2022, was recorded in "Deposits at foreign banks" of the statement of financial position (note 3).

7. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

As of December 31, this caption comprises the following:

	2023 (S/ 000)	2022 (S/ 000)
Contributions to the FLAR (a)	2,113,904	2,165,756
Contributions to the IMF (b)	1,833,494	1,968,477
Contributions to the BIS (c)	326,746	333,018
	4,274,144	4,467,251

- (a) This contribution grants Peru access to financing facilities from the FLAR. As of December 31, 2023, the contribution paid to the FLAR amounts to USD 571 million, equivalent to S/ 2,114 million (USD 569 million equivalent to S/ 2,166 million at December 31, 2022). As of December 31, of 2023 and 2022, Peru's participation in the FLAR is 17% of its subscribed capital. Likewise, as of December 31, 2023, the Central Bank holds contributions pending capitalization for an amount of USD 93 million, equivalent to S/ 345 million (USD 95 million equivalent to S/ 361 million at December 2022), which are recorded as accounts payable and accounts receivable, and are recorded net in the account "Contributions to international organizations" in the statement of financial position, note 2.B (g).
- (b) The contribution to the IMF grants Peru access to IMF's financing facilities. The IMF determines Peru's contribution as a participating country, which, as of December 31 of 2023 and 2022 amounts to SDR 1,335 million; made up of contributions in SDR and soles. As of December 31, of 2023 and 2022, Peru's participation in the total quotas subscribed by the IMF's member countries is 0.28% and comprises the following:

	2023 (S/ 000)	2022 (S/ 000)
Contribution in SDR		
Contribution to the IMF in SDR (i)	1,833,494	1,968,477
Domestic currency contributions		
Contribution to the IMF for the equivalent in domestic currency (ii)	4,848,395	4,834,583
Revaluations to be settled – contributions to the IMF in domestic currency (iii)	(46,215)	(40,010)
	4,802,180	4,794,573
Total contribution to the IMF	6,635,674	6,763,050

- (i) As of December 31, 2023 and 2022, it corresponds to contributions granted by Peru to the IMF for SDR 369 million and SDR 388 million; respectively.
- (ii) For the contributions in soles, the Central Bank did not disburse any funds, but issued promissory notes in favor of the IMF which it can collect at any time; therefore, the balancing entry is recorded as a liability with the IMF in 'other foreign liabilities' in the statement of financial position. This obligation does not accrue interest and payment can be required at any time.
- (iii) This corresponds to the exchange difference with respect to the SDR generated by the adjustment of the contribution in domestic currency between April 30 and December 31 of each year. These revaluations are settled at the close of the IMF's financial year, which takes place on April 30 of each year.
- (c) The Central Bank has participated as a member of this international entity. The BIS determines the percentage participation of member countries, and in the case of Peru, its participation is equivalent to 3,000 shares. As of December 31, of 2023 and 2022, 25% of

the market value of said shares has been paid, corresponding to SDR 66 million, equivalent to S/ 327 million (equivalent to S/ 333 million as of December 31, 2022).

The 75 percent of the market value of the 3,000 shares, corresponding to SDR 197 million, equivalent to S/ 980 million as of December 31, 2023 (equivalent to a S/ 999 million as of December 31, 2022) was recorded as an account receivable and account payable, which are presented, net in the account "Contributions to International Organizations" in the statement of financial position, (note 2.B (g)).

8. DOMESTIC CREDIT

As of December 31, this caption comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
To banks (a)		
Currency repurchase agreements	-	589,000
Securities repurchase agreements	10,883,013	7,601,051
Credit portfolios repurchase agreements	6,263,819	6,339,867
Repos of government- backed credit portfolio	4,456,944	17,148,671
Outstanding fees from currency repurchase agreements	-	16,638
Outstanding interest from credit portfolios repurchase agreements	167,131	98,268
Outstanding interest from repos of government- backed credit portfolio	963	19,037
	<u>21,771,870</u>	<u>31,812,532</u>
To the public sector (b)		
Bonds issued by the MEF in foreign currency	10,686,131	4,646,593
Bonds issued by the MEF in domestic currency	953,127	1,806,312
Repurchase agreements of currencies	227,000	512,000
Outstanding interest from securities issued in Peru	285,531	163,145
Outstanding fees from currency repurchase agreements	1,312	2,322
	<u>12,153,101</u>	<u>7,130,372</u>
To other entities and funds (a)		
Securities repurchase agreements	49,618	39,511
Repos of government backed credit portfolio	284,352	1,519,116
Outstanding interest from repos of government backed credit portfolio	108	1,349
Outstanding fees from currency repurchase agreements	88,407	-
	<u>422,485</u>	<u>1,559,976</u>
To financial enterprises (a)		
Currency repurchase agreements	-	11,000
Repos of government- backed credit portfolio	7,114	52,783
Outstanding interest from repos of government- backed credit Portfolio	17	71
Outstanding fees from currency repurchase agreements	-	43
	<u>7,131</u>	<u>63,857</u>
Total	<u>34,354,587</u>	<u>40,566,737</u>

- (a) As of December 31, 2023, the Central Bank does not maintain a balance for currency repurchase agreements. As of December 31, 2022, the Bank carried out currency repurchase agreements with banking and financial companies, whereby the companies sold foreign or domestic currency to the Central Bank in exchange for domestic or foreign currency and, simultaneously agreed to repurchase the sold currency at a later date at the exchange rate current at the repurchase date. The Central Bank charges a fee equivalent to the interest rate offered by each financial company in the auctions, less a discount established in the corresponding announcement. As of December 31, 2022, these operations had interest rates ranging between 1.76 percent and 4.40 percent and with settlement dates between January 2023 and April 2023.

Also, as of December 31, 2023, there are sales transactions with repurchase commitments of certificates of deposit and Treasury bonds with banking companies, at an average annual interest rate of 5.15 percent, with a settlement date between January 2024 and September 2025 (as of December 31, 2022, they had an average annual interest rate of 4.60 percent, with a settlement date between January 2023 and September 2025).

As of December 31, 2023, the Central Bank has current repurchase agreements of credit portfolio represented by securities with Banks, which have an average annual interest rate of between 0.50% and 3.50%, with settlement dates between January 2024 and September 2025 (as of December 31, 2022, the annual interest rate was between 0.50% and 3.50%, with settlement dates between March 2023 and September 2025).

As of December 31, 2023, the Central Bank has current repurchase agreements of Government-backed credit portfolio represented by securities in the framework of the Reactiva Perú program, which was created in order to ensure the continuity of the chain of payments in the face of the impact of Covid-19 on companies. This is an instrument which allows the Central Bank to provide liquidity to the financial institutions participating in the program, receiving the Government-backed part of loans as collateral. As of December 31, 2023 and 2022, the balance of these operations had an average annual interest rate of 0.50%, with settlement dates between May 2023 and December 2025. It is also worth mentioning that these operations have a grace period of up to 12 months.

As of December 31, 2023 and 2022, in the opinion of the Management of the Central Bank, there is no evidence of impairment. Also, accounts receivable from entities of the financial system in liquidation are in the process of collection, and therefore, in accordance with Emergency Decree No. 003-2024 issued on February 22, 2024, Article 9 authorizes the Ministry of Economy and Finance to apply the guarantees that were granted by the "Reactiva Perú" program.

- (b) As of December 31, 2023 and 2022, the Central Bank holds MEF bonds issued in U.S. dollars, acquired in the secondary market, which mature to November 2033, and accrue interest at a rate of 8.75%. Additionally, the Central Bank holds MEF bonds issued in Soles, acquired in the secondary market from December of 2020 until the year 2023, which mature between August 2028 and February 2055, and accrue interest at rates ranging between 5.35% and 7.30%.

Said instruments are classified and valued as financial assets measured at FVOCI. As of December 31, 2023, an increase in fair value of S/ 850 million (a decrease of S/ 547 million as of December 31, 2022), was recorded in "fair value reserve" of the statement of financial position, see note 17(c).

Likewise, as of December 31, 2023 and 2022, the Central Bank carried out currency repurchase agreements with Public Sector companies, for which said companies sold foreign or domestic currency to the Central Bank in exchange for domestic or foreign currency, simultaneously undertaking to repurchase the sold currency on a subsequent date at the exchange rate current on the repurchase date. The Central Bank charges a fee equivalent to the interest rate offered by each public sector company in auctions, less a discount announced in the respective announcement. As of December 31, 2023, these operations had interest rates ranging from 0.18% to 0.27%, and with settlement dates between January 2024 and May 2024 (as of December 31, 2022, these operations had interest rates between 0.18% and 0.38%, and with settlement dates between January 2023 and May 2024).

- (c) In 2023 and 2022, the Central Bank recognized interest income and fees from domestic credit operations for S/ 4,207 million and S/ 4,182 million, respectively, which are recorded in "finance income" in the statement of profit or loss and other comprehensive income.

9. PROPERTY, PLANT AND EQUIPMENT, NET

The movement of property, plant and equipment for the years 2023 and 2022, as well as the accumulated depreciation, was as follows:

	Land	Building and other constructions	Furniture and office equipment	Vehicles	Various items of equipment	Units in transit	Total
	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Balance as of January 1, 2022	28,419	175,075	7,301	4,192	121,057	961	337,005
Additions	-	2,174	107	199	9,647	7,250	19,377
Transfers	-	-	-	-	166	(166)	-
Disposals and others	-	(239)	(1)	-	(115)	-	(355)
Balance as of December 31, 2022	28,419	177,010	7,407	4,391	130,755	8,045	356,027
Additions	-	2,110	225	449	8,065	4,560	15,409
Transfers	-	2,503	7	-	4,638	(7,148)	-
Disposals and others	-	(820)	(394)	(608)	(11,920)	(1)	(13,743)
Balance as of December 31, 2023	28,419	180,803	7,245	4,232	131,538	5,456	357,693
Accumulated depreciation -							
Balance as of January 1, 2022	-	81,928	5,422	3,840	90,143	-	181,333
Depreciation for the period (d)	-	3,916	372	128	9,723	-	14,139
Disposals and others	-	(119)	(1)	-	(110)	-	(230)
Balance as of December 31, 2022	-	85,725	5,793	3,968	99,756	-	195,242
Depreciation for the period	-	4,096	389	160	10,232	-	14,877
Disposals and others	-	(423)	(392)	(608)	(11,808)	-	(13,231)
Balance as of December 31, 2023	-	89,398	5,790	3,520	98,180	-	196,888
Carrying amount -							
Balance as of January 1, 2022	28,419	93,147	1,879	351	30,914	961	155,671
Balance as of December 31, 2022	28,419	91,285	1,614	423	30,999	8,045	160,785
Balance as of December 31, 2023	28,419	91,405	1,455	712	33,358	5,456	160,805

As of December 31, 2023, and 2022, the Central Bank has fully depreciated items of property, plant and equipment, still in use, for S/ 62 million and S/ 74 million, respectively.

The Central Bank has insured its main assets in accordance with the policies established by the Management and the Board of Directors.

In 2023 and 2022, the depreciation of Property, plant and equipment amounted to S/ 15 million and S/ 14 million, respectively, and is included in "operating expenses" and "issuance expenses and costs" for S/ 12 million and S/ 3 million in 2023, and for S/ 11 million and S/ 3 million in 2022, respectively (notes 21 and 22).

Management performs an annual evaluation to determine whether the carrying amount exceeds the recoverable value of its long-lived assets based on available market input. In the opinion of the Central Bank's Management, there is no evidence of impairment of the fixed assets held by the Central Bank as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, no asset of the Central Bank was granted in guarantee.

10. OTHER ASSETS

As of December, this caption comprises the following:

	2023 (S/ 000)	2022 (S/ 000)
Financial instruments		
Outstanding interest foreign exchange swaps (a)	1,445,421	1,427,372
Outstanding interest, interest rate swap	-	8
Outstanding accounts from personnel	2,638	3,630
	1,448,059	1,431,010
Non- financial instruments		
Raw material, semi- finished and finished goods (b)	98,446	99,779
Collections (c)	79,537	79,473
Deferred charges (d)	135,753	107,790
Advance payments to suppliers	13,064	1,171
Intangible assets	13,932	13,430
Outstanding accounts (e)	4,992	5,200
Silver	1,379	1,497
Others	3,369	3,560
	350,472	311,900
	1,798,531	1,742,910

- (a) Comprises the interest rate receivables on foreign exchange operations. As of December 31, 2023 and 2022, the Central Bank recognized interest income from currency swap operations for S/ 2,722 million and S/ 1,632 million, respectively, which forms part of "Interest and fees on domestic credit operations" of the statement of profit or loss and other comprehensive income.

- (b) Raw material comprises the supplies acquired by the Central Bank for coin minting and is valued at average cost. The value of semi-finished and finished products comprises the cost of raw material, direct labor and manufacturing overhead.
- (c) Collections comprise paintings, archaeological items, sculptures, banknotes, coins, medals and other objects acquired by or donated to the Central Bank, which are maintained for display.
- (d) Deferred charges mainly comprise the cost of printing banknotes, which, as of December 31, 2023 and 2022 amounts to S/ 130,867 and S/ 102,474, respectively, which is charged to expense when said banknotes are put into circulation for the first time.
- (e) It mainly corresponds to the mortgage guarantee in favor of the Central Bank, arising from lawsuits with third parties.

11. OTHER EXTERNAL LIABILITIES

As of December 31, this caption comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
SDR allocations and revaluations to be settled (a)	9,392,631	9,572,898
Allocation in Andean pesos (b)	74,100	76,160
Others	8,734	11,154
	<u>9,475,465</u>	<u>9,660,212</u>

- (a) As of December 31, 2023, the balance of the account was SDR 1,889 million, equivalent to S/ 9,393 million (SDR 1,889 million, equivalent to S/ 9,573 million as of December 31, 2022), the increase corresponds to the distribution which the IMF made to Peru in proportion to its quota, according to the provisions of the Articles of Agreement of the IMF, the last distribution having been made on August 23, 2021. The balances at the above-mentioned dates include the exchange difference generated by the revaluation of the SDR allocation received from the IMF from the last movement of the account (August 23, 2021).

SDR allocations accrue interest in accordance with the conditions of the Articles of Agreement. As of December 31, 2023 and 2022, the annual interest rate was 4.103% and 2.916%, respectively.

- (b) The allocation in Andean pesos corresponds to those delivered by the FLAR for 20 million Andean pesos, equivalent to S/ 74 million and S/ 76 million as of December 31, 2023 and 2022, respectively. This allocation does not accrue interest, has no defined maturity for its cancellation and the balancing entry is an account receivable recorded in "other external assets" in the statement of financial position.
- (c) As of December 31, 2023 and 2022, the Central Bank recognized interest expense for S/ 367 million and S/ 108 million respectively, which corresponds to its external liabilities, mainly for the obligations for SDR allocations which are recorded in "Interest on other external liabilities" in the statement of profit or loss and other comprehensive income.

12. SECURITIES IN CIRCULATION

As of December 31, this caption comprises the following:

	2023 (S/ 000)	2022 (S/ 000)
BCRP certificates of deposit (CD BCRP)	35,086,000	12,444,400
BCRP certificates of deposit at variable rate (CDV BCRP)	-	13,126,579
BCRP indexed certificates of deposit (CDR BCRP)	520,935	-
Sale discounts on CD BCRP, CDR BCRP and CDLD BCRP	(722,377)	(199,853)
	<u>34,884,558</u>	<u>25,371,126</u>

As of December 31, 2023 and 2022, securities in circulation comprise certificates of deposit, variable rate certificates of deposit and adjustable certificates of deposit, placed by the mechanism of auction or direct placement, in order to withdraw excess liquidity from the financial system.

As of December 31, 2023, S/ 5,547 million in certificates of deposit guarantee security repurchase transactions (S/ 1,324 million, as of December 31, 2022).

During 2023 and 2022, the Central Bank recognized net interest expense for securities in circulation for S/ 4,036 million and S/ 3,699 million, respectively, which form part of "Finance costs" in the statement of profit or loss and other comprehensive income. In 2023 and 2022, the interest expense for securities issued, correspond mainly to operations with bank exchange swaps and certificates of deposit at variable rates for S/ 1,208 million and S/ 2,596 million, respectively. The decrease presented during 2023, corresponds mainly to the variation in the benchmark interest rate, presenting a reduction with effect from the month of September of 2023, with a rate of 6.75% at the close of 2023.

Likewise, during 2023, the Central Bank recognized interest income on certificates of deposit at variable rate for S/ 808 million (S/ 1,629 million in 2022), which forms part of "Interest on securities issued" in the statement of profit or loss and other comprehensive income.

As of December 31, the certificates of deposit issued by the Central Bank were acquired by the following entities:

	2023 (S/ 000)	2022 (S/ 000)
Banks	24,476,700	17,107,897
Insurance Deposit Fund	6,198,800	3,965,971
Banco de la Nación	2,890,000	3,000,000
Mutual funds and funds of pension fund administrators	182,900	143,000
Financial institutions	611,600	578,411
Other institutions	1,256,000	775,700
	<u>35,616,000</u>	<u>25,570,979</u>
Sale discounts on CD BCRP and CDR BCRP	(722,377)	(199,853)
	<u>34,884,558</u>	<u>25,371,126</u>

As of December 31, 2023, the certificates of deposit issued by the Central Bank mature between January 2024 and December 2024 and accrue interest at discount rates between 5.380 per cent and 7.293 per cent (as of December 31, 2022, they had maturities between January 2023 and September 2023, and accrued interest at discount rates between 1 per cent and 7.4 per cent).

13. DEPOSITS IN DOMESTIC CURRENCY

As of December 31, this caption comprises the following:

	2023 (S/ 000)	2022 (S/ 000)
Public sector	39,275,804	57,788,538
Banco de la Nación	15,760,648	20,091,335
Banks	7,171,013	4,899,537
Municipal Savings and Credit Unions	659,295	512,800
Financial enterprises	763,747	637,854
Insurance Deposit Fund	304,608	1,733,800
Rural Savings and Credit Unions	28,150	44,650
Other entities and funds	15,468	38,332
	63,978,733	85,746,846

As of December 31, deposits in domestic currency, per type of transaction are classified as follows:

Type	Interest rate %	Maturity date	2023 (S/ 000)
No maturity	5.30	No maturity	10,044,184
Between January and October 2024	3.17 - 6.69	Between January and October 2024	51,129,609
3 days	4	3 days	2,804,940
			63,978,733

Type	Interest rate %	Maturity date	2022 (S/ 000)
Checking accounts	5.90 - 6.10	No maturity	25,370,148
Time deposits	0.43 - 7.50	Between January and September 2023	59,122,700
Special deposits (overnight)	5.25	4 days	1,253,998
			85,746,846

In 2023 and 2022, the Central Bank recognized interest on deposits in domestic currency for S/ 4,516 million and S/ 4,013 million, respectively, which is recorded in "Interest on deposits in domestic currency" in the caption "Finance costs" of the statement of profit or loss and other comprehensive income.

14. MONETARY BASE

As of December 31, this caption comprises the following:

	2023 (S/ 000)	2022 (S/ 000)
Currency in circulation (a)	86,747,016	90,417,535
Deposits in domestic currency (b)		
Banks	1,396,795	1,173,659
Municipal Savings and Credit Unions	661,570	659,617
Financial enterprises	346,991	292,191
Banco de la Nación	800,000	400,000
Rural Savings and Credit Unions	70,097	46,832
Others	49	1,390
	3,275,502	2,573,689
	90,022,518	92,991,224

- (a) The denomination of the currency in circulation is as follows:

	2023		2022	
	Units	S/ (000)	Units	S/ (000)
Banknotes				
Denomination S/ 10	146,817,502	1,468,175	157,234,496	1,572,345
Denomination S/ 20	173,957,653	3,479,153	184,346,404	3,686,928
Denomination S/ 50	235,232,808	11,761,640	255,243,764	12,762,188
Denomination S/ 100	583,104,407	58,310,441	606,123,364	60,612,336
Denomination S/ 200	40,930,060	8,186,012	41,950,734	8,390,147
		83,205,421		87,023,944
Coins				
Denomination S/ 0.01	347,683,833	3,477	347,713,223	3,477
Denomination S/ 0.05	503,555,223	25,178	503,635,815	25,182
Denomination S/ 0.10	2,091,889,867	209,189	1,989,392,576	198,939
Denomination S/ 0.20	636,560,765	127,312	582,787,724	116,558
Denomination S/ 0.50	642,661,181	321,331	618,382,761	309,191
Denomination S/ 1.00	1,247,937,192	1,247,937	1,181,737,385	1,181,737
Denomination S/ 2.00	252,244,283	504,488	244,897,902	489,796
Denomination S/ 5.00	220,172,332	1,100,862	213,380,142	1,066,901
		3,539,774		3,391,781
Commemorative coins		1,821		1,810
		86,747,016		90,417,535

- (b) As of December 31, 2023 and 2022, it corresponds to deposits in domestic currency of the financial institutions subject to the reserve requirement of the national financial system. Said funds are intended to cover the cash reserve required by the Central Bank for the obligations subject to reserve requirements in domestic currency and have no maturity. Additionally, the legal reserve requirement may be covered with cash in domestic currency, held by the entities subject to the legal reserve requirement.

The legal reserve requirement comprises a minimum legal reserve and additional reserve requirements, which is the part of the legal reserve requirement which exceeds the legal minimum. As of December 31, 2023 and 2022, the minimum legal reserve had a rate of 6.0%, for the obligations subject to reserve requirements in domestic currency. Furthermore, the obligations subject to reserve requirements are classified into two regimes: general and especial.

As of December 31, 2023, only the reserve requirement funds which correspond to the additional reserve requirement to be remunerated of the general and special regime in soles which are deposited at the Central Bank accrued interest at an annual rate of 2.1629%, equal to the higher rate between 0% and the interest rate of overnight deposits in domestic currency with the Central Bank, less 195 bps (as of December 31, 2022, the rate of remuneration of the deposits in domestic currency was 3.3%).

On November 2, 2022, the Central Bank issued Circular No.0025-2022-BCRP, regarding reserve requirements in domestic currency, with which it has decided to increase the weekly

limit and the limit on the balance of the operations agreed of sale of foreign currency in exchange for domestic currency through forwards and swaps.

On January 20, 2022, the Central Bank issued Circular No.0003-2022-BCRP, regarding reserve requirements in domestic currency, with which it has resolved to increase the minimum legal reserve requirement from 5% in January 2022, to 5.25% in February 2022, 5.50% in March 2022, 5.75% in April 2022 and to 6% from May 2022, of all of the obligations subject to reserve requirements.

15. DEPOSITS IN FOREIGN CURRENCY

As of December 31, this caption comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Banks (a)	43,422,801	50,927,851
Public Sector (b)	16,576,084	11,302,140
Other financial enterprises (a)	493,512	655,587
Banco de la Nación (a)	2,579,691	2,433,880
Financial institutions (a)	145,284	124,515
	<u>63,217,372</u>	<u>65,443,973</u>

- (a) As of December 31, 2023 and 2022, it corresponds to deposits in foreign currency by financial institutions subject to reserve requirements in the domestic financial system. Said funds are intended to cover the amount of legal reserve required by the Central Bank for the obligations subject to reserve requirements in foreign currency and which have no maturity.

Legal reserve requirements comprise minimum legal reserves and additional reserve requirements. As of December 31, 2023 and 2022, minimum legal reserves had a rate of 9.0% for obligations subject to reserve requirements in foreign currency, and the additional reserve requirement, which is the part of the legal reserve requirements that exceeds the minimum legal reserves. As of December 31, 2023, the rate of the additional reserve requirement in foreign currency for the banks was 26.08% on average (as of December 31, 2022, it was 25.25% on average).

As of December 31, 2023, the reserve requirement funds corresponding to the additional reserve requirement of the general and special regime, which are deposited with the Central Bank, accrued interest at an annual rate of 4.8555%. Said rate is equivalent to the higher rate between: (i) 25% of the difference between the Chicago Mercantile Exchange (CME), Term Secured Overnight Financing Rate (SOFR) at one month less 10 basis points and (ii) the CME Term SOFR rate at one month less 50 basis points. (As of December 31, 2022, said rate was 3.7948%).

On June 27, 2023, the Central Bank issued Circular No.0011-2023-BCRP, related to the provisions for cash reserve requirements in foreign currency, through which it decided to amend: a) the requirement of additional reserve requirement based on the evolution of the total credit in foreign currency, and b) increase the rate of reserve requirement of the borrowings with average terms of 2 years or less with international financial entities, subject to the special reserve requirement, from 9% to 35%.

- (b) As of December 31, 2023 and 2022, deposits in foreign currency of public sector entities are stated in U.S. Dollars and mainly comprise agreements entered into with the MEF's General Directorate of Public Treasury, which established the conditions for receiving deposits from said institution. As of December 31, 2023, these deposits correspond to demand and term deposits, which accrued interest at an effective annual rate between 0% and 5.64% (As of December 31, 2022, the effective annual rate fluctuated between 0% and 4.48%). Term deposits have maturities between January and February 2024 (As of December 31, 2022, they had maturities in the months of January and February 2023).

In 2023 and 2022, the Central Bank recognized interest on deposits in foreign currency for S/ 3,143 million and S/ 1,060 million, respectively, and are recorded in "Interest on foreign currency deposits" in the statement of profit or loss and other comprehensive income.

16. OTHER LIABILITIES

As of December 31, this caption comprises the following:

	<u>Note</u>	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Financial liabilities			
Interest and fees payable		1,846,187	1,143,964
Reverse repurchase agreements of foreign currencies	8(b)	231,776	1,101,368
Fund for diseases, insurance and pensions of Central Bank's employees (a)		23,523	768,747
Accounts payable		8,643	9,890
Deposit Insurance Fund		9,955	13,315
		<u>2,120,084</u>	<u>3,037,284</u>
Non- financial liabilities			
Actuarial liabilities (a)		109,935	114,561
Other provisions		51,712	38,204
Others		32,351	27,389
		<u>193,998</u>	<u>180,154</u>
		<u>2,314,082</u>	<u>3,217,438</u>

- a) As of December 31, 2023 and 2022, the actuarial liabilities comprise the provision corresponding to the allowance for supplementing retirement, widow and funeral benefits, and a reserve for current risks of health care services, calculated by an expert actuary, deducting the value of the Fund's net assets, note 2.B(m).

The Fund for diseases, insurance and pensions of the Central Bank's employees, is a legal entity under private law created by Decree Law N° 7137, to provide assistance to the active and retired employees of the Central Bank, as well as their spouse, children and parents, in accordance with its regulations. This assistance is additional to social security and other social benefits granted by Law (Essalud, National Pension System - Decree Law No. 19990 and the Private Pension System). According to the International Accounting Standard (IAS) -

19 “Employee Benefits”, the above-mentioned assistance corresponds to a defined benefit plan.

As of December 31, 2023 and 2022, the movement in the obligation for employee benefit plans and the fair value of the assets of the plan is as follows:

	<u>Nota</u>	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Opening balance		114,561	109,614
Transfer to the Fund during the year		(8,266)	(8,403)
Provision for employee benefit plans	21	3,640	13,350
		<u>109,935</u>	<u>114,561</u>

In December of 2023 and 2022, the Central Bank’s Board of Directors authorized the transfer to the Fund for Diseases, Insurance and Pensions of the Central Bank’s Employees of S/ 52.5 million, respectively. In 2023, from the aforementioned amount, S/ 8.3 million were used to pay pensions of retired personnel, which decreased the actuarial liability by the same amount (S/ 8.4 million in 2022) and S/ 41.5 million were transferred to the Fund for health expenses of active personnel, which increased the balance of “operating expenses” (S/ 41.1 million in 2022) (note 21).

As of December 31, 2023 and 2022, 68.1% and 51.18% of the Fund’s assets, respectively, are deposited in the Central Bank, and mainly comprise deposits in domestic currency which accrue interest at an effective annual rate of 7.35% and 6.84%, respectively; and loans to employees of the Central Bank, which are directly discounted through the payroll.

In 2023 and 2022 the net expense is recognized in “operating expenses”, note 21, in the statement of profit or loss and other comprehensive income in respect of employee benefit plans; and comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Changes in net assets of the Employees’ Fund	(3,069)	7,590
Change in reserves calculated by the actuary	6,709	5,760
	<u>3,640</u>	<u>13,350</u>

The principal categories of the assets of the Fund as a percentage of the fair value of its total liquid assets are as follows:

	<u>2023</u>		<u>2022</u>	
	S/ (000)	%	S/ (000)	%
Deposits with the Central Bank	23,523	68.0	13,315	51.0
Outstanding accounts from personnel	11,042	32.0	12,707	49.0
Total	<u>34,565</u>	<u>100.0</u>	<u>26,022</u>	<u>100.0</u>

The main hypotheses used when determining the actuarial liability for the defined employee benefit plans are the following:

Discount rate (%)	6.50	6.50
Increase (reduction) in pensions (%)	5.30	(3.50)
Average period for amortization of pensions	8.40	8.34
Active and retired personnel as of the date of the statement of financial position		
Men	969	960
Women	603	599
Mortality tables		
Men	SP-2005-H	SP-2005-H
Women	SP-2005-M	SP-2005-M

The sensitivity of the actuarial assumptions in the Central Bank's profit or loss is as follows:

	Increase/ decrease in discount rate	Effect on reserve for the year in thousands of soles
		S/ 000
Year		
2023	50pbs	(5,732)
	(50pbs)	6,215
2022	50pbs	(6,534)
	(50pbs)	7,272

	Increase/ decrease in discount rate	Effect on reserve for the year in thousands of soles
	Años	S/ 000
Year		
2023	1	3,864
	(1)	7,028
2022	1	6,660
	(1)	7,883

17. EQUITY

a) Capital

As of December 31, 2023 and 2022, the capital authorized, subscribed and paid-in by the Peruvian State, in accordance with the legal norms, is S/ 1,183 million.

The capital is not represented by shares, and its value is only stated in the capital account of the statement of financial position. Furthermore, through a Supreme Decree countersigned by the MEF, the Central Bank's authorized capital may be adjusted.

b) Reserves

Legal reserve

According to Article 92 of its Organic Act, the Central Bank must distribute its net profits annually, as follows: (i) 25% for the Public Treasury and (ii) 75% for the constitution and increase, up to 100% of its capital, of a reserve which, preferably, will be used for capitalization.

Since during 2023 and 2022 the Central Bank presented net losses, it has not established additional legal reserves since the maximum limit allowed has been reached.

On March 30, 2023, after the approval of the 2022 financial statements, the coverage of the 2022 net loss was applied (in accordance with Article No. 93 of the Organic Act), with the balance of S/ 1,183 million from the Legal Reserve and then transferring S/ 481 million from the Statutory Reserve to the Legal Reserve to complete the amount necessary to cover the loss. Finally, the balance of the Legal Reserve of S/ 1,183 million was restored by transferring part of the balance of the Statutory Reserve.

Statutory special reserve

According to Article 63 of the Central Bank's Bylaws, the surplus generated by the application of Article 92, of the Organic Act, will be used for the constitution of a special reserve.

On March 30, 2023, after the approval of the 2022 financial statements, the coverage of the 2022 net loss was applied (in accordance with Article No. 93 of the Organic Act), transferring S/ 481 million to the Legal Reserve to complete the amount necessary to cover the loss and subsequently transferring S/ 1,183 million to replenish the balance of the Legal Reserve.

On March 3, 2022, after the approval of the 2021 financial statements, the constitution of a special reserve was agreed for S/ 1,075 million, for the surplus of 75% of the profits corresponding to the Central Bank, since the legal reserve was equivalent to 100% of the capital.

c) Fair value reserve

The movement of this caption for the years 2023 and 2022 is as follows:

	<u>Note</u>	Securities from international entities S/ (000)	Bonds issued by the MEF S/ (000)	Total S/ (000)
Balance as of January 1, 2022		(177,834)	(256,748)	(434,582)
Gain from fluctuations	5 and 8 (b)	14,528	-	14,528
Loss from fluctuations	5 and 8 (b)	(4,923,717)	(546,515)	(5,470,232)
Balance as of December 31, 2022		(5,087,023)	(803,263)	(5,890,286)
Gain from fluctuations	5 and 8 (b)	4,055,129	849,686	4,904,815
Loss from fluctuations	5 and 8 (b)	(457)	-	(457)
Balance as of December 31, 2023		(1,032,351)	46,423	(985,928)

d) Retained earnings

Article 93 of the Organic Act states that in case of losses, the legal reserve shall be applied to offset them: If said amount is insufficient, within 30 days from the approval of the statement of financial position, the Public Treasury must issue and deliver to the Central Bank, negotiable debt securities for the amount not covered, which will accrue interest.

On March 3, 2022, after the approval of the 2021 financial statements, it was agreed to transfer S/ 358 million to the Public Treasury, corresponding to 25% of the profit for that year. On May 24, 2022, the transfer was made to the settlement account in domestic currency of the MEF.

e) Adjustment for Valuation – Article 89 of Organic Act

In accordance with the accounting policies approved by the Board of Directors, based on Article 89 of the Organic Act, the exchange differences resulting from the valuation in domestic currency of the Central Bank's assets and liabilities in gold, silver, foreign currency, SDR or other monetary units in international use, are debited or credited in this account and are not considered as gains or losses for the year, note 2.B(d).

The movement of this caption for the years 2023 and 2022 is as follows:

	2022 (S/ 000)	2021 (S/ 000)
Opening balance	43,711,457	26,216,489
Plus (less)		
Valuation of derivative instrument operations and others related to the exchange rate	5,555,809	1,286,338
Valuation of metals (gold)	(363,265)	449,274
Valuation of IMF contribution and obligations	25	(234,343)
Valuation of U. S. dollars	(6,799,221)	14,884,730
Valuation of other currencies	(7,359,123)	2,035,910
Valuation of indexed Certificates of deposit	82,286	(926,941)
Closing balance	<u>34,827,968</u>	<u>43,711,457</u>

18. TAX SITUATION

In accordance with the Income Tax Law, Peruvian public institutions are not subject to income tax. The Central Bank, as a withholding agent, is only subject to self-employment income tax, regular employment income tax, and social contributions.

The Tax Authorities are entitled to audit and, if applicable, to correct the tax calculated by the Central Bank within the 4 years following the year of the tax return filing. The Central Bank's income tax returns from 2019 to 2023 are open for review by the Tax Authorities. Due to the possible varied interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Central Bank. Therefore, any major tax, late interest and penalties that might arise from eventual tax assessments would be applied to profit or loss of the period in which they are determined. In Management's opinion, any possible additional settlement of taxes would not be significant for the Central Bank's financial statements as of December 31, 2023 and 2022.

19. CONTINGENCIES

Certain civil and labor lawsuits have been filed against the Central Bank in the country's courts, for which the pertinent legal instruments and actions have been submitted. Therefore, the Central Bank's Management and its legal advisors consider that, as of December 31, 2023 and 2022, it is not necessary to record a material provision for possible losses as a result of these legal contingencies.

20. OFF-BALANCE SHEET ACCOUNTS

As of December 31, this caption comprises the following:

	<u>Nota</u>	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Currency in circulation (a)		74,746,802	46,979,585
Forward operations (b)		71,407,690	89,629,574
Foreign Exchange swaps (c)	2.B(e)(ii)	89,711,737	75,375,370
Government- backed credits (d)		4,748,655	18,729,358
Public Treasury securities with repurchase agreement (e)		6,178,318	7,233,148
Securities portfolio credits (f)		6,695,875	6,683,077
Securities held in custody (g)		3,049,355	3,121,980
Futures operations (h)	2.B(e)(i)	3,233,728	3,440,374
Interest rate swaps(i)	2.B(e)(iii)	-	2,400,100
Others		298,885	199,451
		<u>260,071,045</u>	<u>253,792,017</u>

- (a) As of December 31, it corresponds to the currency not in circulation that the Central Bank holds in its vaults. It comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
New	63,413,140	33,869,140
Available	9,566,789	10,002,631
To be classified	1,111,058	2,373,808
To be destroyed	317,761	618,866
In transit	338,054	115,140
Total	<u>74,746,802</u>	<u>46,979,585</u>

The movement of 'currency in circulation' in 2023 y 2022, is as follows:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Opening balance	46,979,585	33,565,948
Acquisition of currency	43,120,950	17,565,042
Destruction of currency	(19,024,253)	(7,275,360)
Removal from circulation, net	3,670,519	3,123,955
Closing balance	<u>74,746,802</u>	<u>46,979,585</u>

- (b) As of December 31, 2023 and 2022, it corresponds to the reference value (committed face value) of the Central Bank's forward operations in foreign currency, classified as held for trading instruments. As of December 31, 2023, the Central Bank has 63 forward operations with maturities between January and October, 2024 (77 forward operations with maturities between January and March, 2023, held at December 31, 2022). Likewise, as of December 31, 2023, the valuation of the forwards generated an asset for S/ 28 million (S/ 112 million at December 31, 2022), which was recorded in "other available assets", and a liability for S/ 665 million (S/ 1,275 million at December 31, 2022), which

was recorded as part of “reserve liability”. Said valuations were recorded in “Valuation adjustments Article. 89 – Organic Act” in equity (note 17.e). In 2023, the Central Bank recognized revenues for the forward contracts traded for S/ 4,120 million, which form part of return on operations with derivative instruments” of the statement of profit or loss and other comprehensive income (S/ 22 million in 2022).

As of December 31, the face value of “forward” operations per type of currency is as follows:

	2023 (S/ 000)	2022 (S/ 000)
Purchase of U. S. dollar / sale of currencies other than sol	34,571,658	43,616,678
Sale of U. S. dollar / purchase of currencies other than sol	215,095	256,855
Purchase of British pound sterling / sale of currencies other than sol	225,488	92,655
Sale of British pound sterling/ purchase of currencies other than sol	139,726	4,954,739
Purchase of Japanese yen / sale of currencies other than sol	63,031	8,378
Sale of Japanese yen / purchase of currencies other than sol	3,707,059	1,002,420
Purchase of euro/ sale of currencies other than sol	49,391	99,575
Sale of euro/ purchase of currencies other than sol	3,674,648	21,177,910
Purchase of Swedish krona / sale of currencies other than sol	20,943	20,942
Sale of Swedish krona / purchase of currencies other than sol	16,331	10,771
Purchase of Chinese yuan / sale of currencies other than sol	-	2,754
Sale of Chinese yuan / purchase of currencies other than sol	-	2,684
Purchase of Norwegian krone / sale of currencies other than sol	38,337	20,639
Sale of Norwegian krone/ purchase of currencies other than sol	18,974	8,119
Purchase of Canadian dollar / sale of currencies other than sol	21,184	62,892
Sale of Canadian dollar / purchase of currencies other than sol	27,688,898	17,695,393
Purchase of Chinese RMB / sale of currencies other than sol	6,515	-
Sale of Chinese RMB / purchase of currencies other than sol	12,142	9,135
Purchase of Singapore dollar / sale of currencies other than sol	-	-
Sale of Singapore dollar / purchase of currencies other than sol	-	-
Purchase of Korean won / sale of currencies other than sol	18,115	3,392
Sale of Korean won / purchase of currencies other than sol	16,738	
Purchase of Australian dollar / sale of currencies other than sol	379,521	333,830
Sale of Australian dollar / purchase of currencies other than sol	196,130	156,939
Purchase of New Zealand dollar / sale of currencies other than sol	180	8,752
Sale of New Zealand dollar / purchase of currencies other than sol	67,675	56,582
Purchase of Swiss francs / sale of currencies other than sol	10,755	14,452
Sale of Swiss francs / purchase of currencies other than sol	249,156	13,088
Total	<u>71,407,690</u>	<u>89,629,574</u>

- (c) As of December 31, 2022, the Central Bank maintains 1,097 operations with banks called foreign exchange swaps, whereby the nominal value in soles in favor of the Central Bank is S/ 45,176 million and the balancing entry in favor of the banking companies is USD 12,020 million (850 operations as of December 31, 2022, with a face value in soles in favor of the Central Bank for S/ 38,054 million and the balancing entry in favor of banks for USD 9,801 million). These operations mature between January and December 2024 (between January and September 2022 as of December 31, 2022). The interest rate for the notional value in soles is equal to capitalization of the Accumulated Index of Interbank Overnight Operations (ION), calculated and published by the BCRP, and which, as of December 31, 2023, is 6.75% (7.50% at December 31, 2022).

In 2023, the Central Bank recognized interest income and expense for interest received and paid on foreign exchange swaps for S/ 2,722 million and S/ 1,811 million, respectively, which form part "interest and fees on domestic credit operations" and "interest on securities in circulation" of the statement of profit or loss and other comprehensive income, respectively (S/ 1,632 million and S/ 535 million, respectively at December 31, 2022). Likewise, during said period, the Banco Central recognized the effect of the changes in the exchange rate on the face value in U.S. as a debit to "Valuation adjustment Article 89 –Organic Act" in equity, for S/ 882 million (S/ 370 million at December 31, 2022), which corresponds to financial institutions (note 17.e).

- (d) This corresponds to the guarantee granted by the government to the companies of the financial sector in order to approve credits in favor of individuals in the framework of the Reactiva Peru Program. The Central Bank maintains S/ 4,749 million as of December 31, 2023 (S/ 18,729 million as of December 31, 2022) at nominal value of Government-backed Credit Portfolio Repurchase Operations.
- (e) As of December 31, 2023, the Central Bank has effective repurchase agreements of treasury bonds with banks, with a nominal value in soles of S/ 6,178 million (S/ 7,233 million as of December 31, 2022).
- (f) As of December 31, 2023, the Central Bank has effective security portfolio credit operations with banks, with a nominal value in soles of S/ 6,178 million (S/ 6,683 million as of December 31, 2022).
- (g) As of December 31, 2023 and 2022, the securities in custody mainly include promissory notes in guarantee for operations with the IMF.
- (h) This corresponds to the reference value (committed face value) of the portfolio of futures operations held by the Central Bank for trading purposes, which is managed directly by the specialized firms, BNP Paribas Asset Management USA, Inc., Pacific Investment Management Company LLC. and Amundi Asset Management, in accordance with the guidelines approved by the Central Bank. As of December 31, 2023, the Central Bank had 5,886 future contracts (3,850 contracts in 2022), of which the underlying assets are U.S. Treasury bonds, issued in U.S. dollars, pound sterling, Japanese yen, Canadian dollars euros and Australian dollars. Furthermore, the estimated market value, provided by the three specialized firms, generated an asset for S/ 22 million (S/ 15 million in 2022), and a liability of S/ 29 million (S/ 2 million in 2022), which were recorded in "other available assets" and "reserve liabilities", respectively, of the statement of financial position and "net return on securities" of the statement of profit or loss and other comprehensive income.
- (i) As of December 31, 2023, the Central Bank does not maintain operations with banks called "Interest rate swaps". As of December 31, 2022, it maintained 93 operations with a notional amount in Soles in favor of the Central Bank of S/ 2,400 millions, of which the which maturity was between January and September of 2023. The notional interest rate in Soles is equivalent to the capitalization of the Average Overnight Interbank Interest Rate (TIBO), calculated and published by the BCRP (7.50% as of December 31, 2022).

During 2023, the Central Bank did not have interest income (11 million as of December 31, 2022) and it did not recognize interest expenses paid on the "Interest swaps" (S/ 138 million as of December 31, 2022), which are part of the items "other finance income" and "other finance costs" of the statement of profit and loss and other comprehensive income, respectively.

21. OPERATING EXPENSES

This caption comprises the following:

	<u>Nota</u>	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Personnel expenses and social benefits	23	173,367	152,983
Administrative expenses		71,300	68,679
Health expenses of active personnel	16	41,506	41,146
Depreciation	16	11,825	13,350
Expenses for actuarial provision	9	3,640	11,202
Amortization		1,568	1,422
Others		8,086	4,823
		<u>311,292</u>	<u>293,605</u>

In 2023 and 2022, administrative expenses correspond mainly to security expenses, computer supplies, maintenance of equipment and premises, utilities, consulting, property insurance, among others.

22. ISSUANCE EXPENSES AND COSTS

This caption comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Cost of minting issued coins	59,901	58,413
Expenses for printing issued banknotes	44,795	36,274
Expenses for transporting currency	4,525	4,392
	<u>109,221</u>	<u>99,079</u>

23. PERSONNEL EXPENSES AND SOCIAL BENEFITS

This caption comprises the following:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Basic remuneration	70,503	83,511
Legal bonuses and holidays (a)	58,920	27,501
Bonuses and allowances	18,990	18,320
Retirement compensation arrangement	9,494	9,273
EsSalud	8,903	8,584
Training	3,579	3,323
Others	2,978	2,471
	<u>173,367</u>	<u>152,983</u>

(a) During 2023, the Central Bank recognized long-term benefits to its employees, Note 2.B.(m), for the concept of anniversary bonus for approximately S/ 22 million.

24. FINANCIAL INSTRUMENTS

A. Accounting classification and fair value

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities held by the Central Bank, including their levels in the fair value hierarchy.

Note	As of December 31, 2023				Medidos a valor razonable (i)			
	At amortized Cost	At FVOCI	Financial liabilities measured at amortized cost	Total	Level 1	Level 2	Level 3	Total
	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Financial assets								
Cash in foreign currency	177,149	-	-	177,149	-	-	-	-
Deposits at foreign banks	30,227,762	-	-	30,227,762	-	-	-	-
Deposits at foreign organizations	8,925,313	-	-	8,925,313	-	-	-	-
Securities from international entities	48,413,810	163,595,177	-	212,008,987	163,595,177	-	-	163,595,177
Contributions to international organizations	4,274,144	-	-	4,274,144	-	-	-	-
Other available assets	48,317	56,506	-	104,823	-	56,506	-	56,506
Other foreign assets	74,100	-	-	74,100	-	-	-	-
Domestic credit	22,429,798	11,924,789	-	34,354,587	11,924,789	-	-	11,924,789
Other financial assets	-	1,445,421	-	1,445,421	-	1,445,421	-	1,445,421
	114,570,393	177,021,893	-	291,592,286	175,519,966	1,501,927	-	177,021,893
Financial liabilities								
Reserve liabilities	-	718,914	341,006	1,059,920	-	718,914	-	718,914
Other foreign liabilities	-	-	14,277,644	14,277,644	-	-	-	-
Sterilized stock	-	-	98,863,291	98,863,291	-	-	-	-
Monetary base	-	-	90,022,518	90,022,518	-	-	-	-
Deposits in foreign currency	-	-	63,217,372	63,217,372	-	-	-	-
Other financial liabilities	-	-	2,120,084	2,120,084	-	-	-	-
	-	718,914	268,841,915	269,560,829	-	718,914	-	718,914

(i) Given the characteristics of the financial instruments of the Bank (mainly securities of international entities with a very high liquidity and depth), these are mostly classified in the hierarchy: Level 1 (quoted prices) of fair value.

Note	As of December 31, 2023				Medidos a valor razonable (i)			
	At amortized Cost	At FVOCI	Financial liabilities measured at amortized cost	Total	Level 1	Level 2	Level 3	Total
	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Financial assets								
Cash in foreign currency	372,457	-	-	372,457	-	-	-	-
Deposits at foreign banks	50,274,815	-	-	50,274,815	-	-	-	-
Deposits at foreign organizations	9,075,389	-	-	9,075,389	-	-	-	-
Securities from international entities	36,584,693	166,381,720	-	202,966,413	166,381,720	-	-	166,381,720
Contributions to international organizations	4,467,251	-	-	4,467,251	-	-	-	-
Other available assets	3,092	223,660	-	226,752	-	223,660	-	223,660
Other foreign assets	76,160	-	-	76,160	-	-	-	-
Domestic credit	33,950,687	6,616,050	-	40,566,737	6,616,050	-	-	6,616,050
Other financial assets	-	1,427,380	-	1,427,380	-	1,427,380	-	1,427,380
	134,804,544	174,648,810	-	309,453,354	172,997,770	1,651,040	-	174,648,810
Financial liabilities								
Reserve liabilities	-	1,285,659	96,614	1,382,273	-	1,285,659	-	1,285,659
Other foreign liabilities	-	-	14,454,785	14,454,785	-	-	-	-
Sterilized stock	-	-	111,117,972	111,117,972	-	-	-	-
Monetary base	-	-	92,991,224	92,991,224	-	-	-	-
Deposits in foreign currency	-	-	65,443,973	65,443,973	-	-	-	-
Other financial liabilities	-	-	3,037,284	3,037,284	-	-	-	-
	-	1,285,659	287,141,852	288,427,511	-	1,285,659	-	1,285,659

B. Financial risk management

The Central Bank is exposed to the following risks related to the use of financial instruments: liquidity risk, credit risk, currency risk, interest rate risk and operational risk. The Central Bank's risk management aims to minimize the potential adverse effects on its financial performance.

The Central Bank's statement of financial position mainly comprises financial instruments, as described in note 2.B(b). Gross international reserves are a relevant component of said instruments (as of December 31, 2023 and 2022, they represent 86.51% and 82.32%, respectively). Reserve management complies with the principles of security, liquidity and profitability indicated in Article 71 of the Organic Act. International reserves contribute to the country's economic and financial stability, to the extent that they guarantee availability of currency in extraordinary situations, such as in the case of an eventual significant withdrawal of foreign currency deposits from the domestic financial system or temporary external shocks, which may cause imbalances in the real economy and feed expectations. Likewise, an adequate availability of foreign currency helps to reduce Peru's country risk and improve its credit ratings, which results in better conditions for private and public Peruvian companies to obtain foreign credits and contributes to the growth of foreign investment in the country.

Financial risk management mainly focuses on the investment portfolio, composed of assets that are easily tradable in international markets. These assets comprise deposits with foreign institutions and organizations, securities from international institutions and gold holdings abroad.

Risk management is carried out considering the following criteria:

- The Central Bank's reserve management policy considers it a priority to preserve the capital and guarantee the liquidity of reserves. Once these conditions are met, the Central Bank seeks to maximize the return on foreign assets.
- Management of foreign assets is closely related to the origin and characteristics of sources of foreign currency resources (i.e., the Central Bank's liabilities) in terms of the amount, currency, term, and volatility. Accordingly, the Central Bank seeks to minimize the financial risks that may affect the value and availability of the resources that it manages.

The Management of the Central Bank is aware of the current market conditions and, based on its knowledge and experience, it controls the aforementioned risks in accordance with the policies approved by the Board of Directors. The most important aspects for the management of these risks are the following:

i. *Liquidity risk*

It arises from the impossibility of trading securities at the appropriate time. To mitigate this risk, the Central Bank controls the degree of liquidity of fixed income instruments by selecting securities from markets where said instruments are heavily traded, establishing minimum amounts according to the size of the issue and a limit for the percentage acquired in each issue. Liquidity of instruments is reflected in a low “bid-ask spread” in their market price.

Likewise, the Central Bank minimizes this risk by dividing the investment portfolio into tranches that reflect the required liquidity to manage withdrawals associated with the different nature of the reserve sources. Said portfolio is divided into:

- Immediate availability tranche: This includes very short-term investments mainly to face obligations with local banks and unexpected events.
- Liquid and trading tranches: They correspond to deposits in foreign currency of financial (mainly for reserve requirements) and public institutions with the Central Bank. Investments are made with these resources, which mainly comprise bank deposits with staggered maturity and high-liquidity fixed income instruments in international financial markets.
- Investment and diversification tranches: They comprise the Central Bank’s own resources (foreign exchange position) for investments including securities with terms generally longer than one year (mainly bonds), which may generate higher returns and support risk diversification.

As of December 31, 2022, the distribution of the investments into tranches is reflected in the percentage composition per term to maturity of the investment portfolio as shown below:

	<u>2023</u> (%)	<u>2022</u> (%)
Term to Maturity		
0 - 3 months	41	39
3 - 12 months	17	22
More than 1 year	42	39
	<u>100</u>	<u>100</u>

The following table presents the undiscounted cash flows payable by the Central Bank according to agreed contractual terms:

	As of December 31, 2023					
	Less than 1 month	1 – 3 months	3–12 months	1–5 years	More than 5 years	Total
	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Financial liabilities per type (i)						
Sterilized stock						
Certificates of deposit	4,233,437	12,636,693	18,014,428	-	-	34,884,558
Deposits in domestic currency	24,627,466	16,507,400	20,134,109	-	-	63,978,733
Monetary base	-	-	-	-	-	90,022,518
Deposits in foreign currency	18,462,060	9,058,725	-	-	-	63,217,372
Other financial liabilities	-	437,448	2,120,077	8,732	14,268,913	16,835,170
Total non- derivative liabilities (ii)	47,322,963	38,640,266	40,268,614	8,732	14,268,913	268,938,352
Accounts payable for derivatives	601,695	20,777	-	-	-	622,472
	47,924,658	38,661,043	40,268,614	8,732	14,268,913	269,560,824
	As of December 31, 2023					
	Less than 1 month	1 – 3 months	3–12 months	1–5 years	More than 5 years	Total
	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Financial liabilities per type (i)						
Sterilized stock						
Certificates of deposit	4,117,830	18,062,518	3,190,778	-	-	25,371,126
Deposits in domestic currency	82,034,085	-	1,183,000	1,000,000	-	85,746,846
Monetary base	-	-	-	-	-	92,991,224
Deposits in foreign currency	14,426,259	7,175,607	-	-	-	65,443,973
Other financial liabilities	-	115,890	3,037,284	11,152	14,443,633	17,607,959
Total non- derivative liabilities (ii)	100,578,174	25,354,015	7,411,062	1,011,152	14,443,633	287,161,128
Accounts payable for derivatives	1,197,624	68,759	-	-	-	1,266,383
	101,775,798	25,422,774	7,411,062	1,011,152	14,443,633	288,427,511

(i) As of December 31, 2023 and 2022, the financial liabilities do not include non-accrued interest.

(ii) As of December 31, 2023 and 2022, it corresponds to the valuation of held-for-trading derivatives.

ii. **Credit risk**

Credit risk refers to the possibility that a counterparty may be unable to meet an obligation with the Central Bank on a timely basis. In order to face this risk, investments are diversified into:

- Deposits with tier one foreign banks, in terms of capital and short-term and long- term risk ratings assigned by the main international risk rating agencies, such as Standard & Poor's, Moody's and Fitch.
- Fixed income securities issued by international organizations or foreign public institutions. As of December 31, 2023 and 2022, said obligations must have a long-term rating among the 5 highest ratings from the more than 20 ratings assigned by the risk rating agencies.
- Investments in debt issues of private institutions are not allowed.

The magnitude and concentration of the Central Bank's exposure to credit risk can be observed directly from the statement of financial position, which describes the size and composition of the Central Bank's financial assets.

As of December 31, 2023, the risk rating of the investment portfolio is summarized as follows:

	<u>2023</u> (%)	<u>2022</u> (%)
Long- term rating		
AAA	57	63
AA+ / AA/ AA-	28	24
A+ / A/ A-	15	13
	<u>100</u>	<u>100</u>

Based on the obtained risk ratings and management's analysis as of December 31, 2023 and 2022, the Central Bank has no exposure in countries or institutions with debt issues that may represent a credit risk for its deposits with foreign banks and its investments.

iii. **Exchange rate risk**

This can be defined as the risk to which the Central Bank is exposed due to fluctuations in the value of financial assets and financial liabilities arising from changes in exchange rates. The magnitude of the risk depends on the following:

- The mismatch between the Central Bank's assets and liabilities in foreign currency, and
- The exchange rate of the foreign currency transactions pending at the end of the period.

The Central Bank's assets are mostly invested in U.S. dollars, reflecting the denomination of liabilities in foreign currency (mainly bank reserve requirements and special deposits of residents) and the currency used by the Central Bank for intervention in the domestic foreign exchange market.

Foreign currency operations are carried out at free-market exchange rates.

As of December 31, 2023, the free market buying rate, published by the SBS for transactions in U.S. dollars, is S/ 3.705 (S/ 3.808 as of December 31, 2022). Balances in other currencies were stated in U.S. dollars at the exchange rate provided daily by Bloomberg, as described in paragraph (c) below.

(a) As of December 31, the Central Bank's assets and liabilities in foreign currencies are as follows:

	2023			2022		
	U. S. Dollar (USD 000)	Other currencies (USD 000)	Total (USD 000)	U. S. Dollar (USD 000)	Other currencies (USD 000)	Total (USD 000)
Monetary assets						
Cash in foreign currency	47,813	-	47,813	97,809	-	97,809
Deposits at foreign banks	6,222,057	1,936,583	8,158,640	7,284,770	5,917,650	13,202,420
Deposits at foreign organizations	-	2,408,991	2,408,991	-	2,383,243	2,383,243
Securities from international entities	46,037,939	11,184,460	57,222,399	44,012,147	9,287,856	53,300,003
Gold	-	2,299,337	2,299,337	-	2,030,213	2,030,213
Contributions to international organizations	570,554	583,061	1,153,615	568,738	604,385	1,173,123
Other available assets	21,173	7,119	28,292	56,186	3,360	59,546
Other external assets	-	20,000	20,000	-	20,000	20,000
Domestic credit	259,246	-	259,246	483,287	-	483,287
Other assets	4,982	465	5,447	2,677	-	2,677
	53,163,764	18,440,016	71,603,780	52,505,614	20,246,707	72,752,321
Monetary liabilities						
Reserve liabilities	262,008	24,070	286,078	350,429	12,563	362,992
Other foreign liabilities	-	2,555,124	2,555,124	-	2,533,892	2,533,892
Deposits in foreign currency	17,062,445	273	17,062,718	17,185,917	-	17,185,917
Other liabilities	128,326	-	128,326	629,041	-	629,041
	17,452,779	2,579,467	20,032,246	18,165,387	2,546,455	20,711,842
Subtotal	35,710,985	15,860,550	51,571,534	34,340,227	17,700,252	52,040,479
Derivatives						
Net forward contract position	9,755,327	(9,585,124)	170,203	11,813,197	(11,771,924)	41,273
Net monetary position	45,466,312	6,275,426	51,741,737	46,153,424	5,928,328	52,081,752

- (b) As of December 31, the balances in foreign currency, SDR and in precious metals, without including financial derivatives, expressed in their equivalent in thousands of U.S. dollars, are summarized as follows:

	<u>2023</u> (USD 000)	<u>2022</u> (USD 000)
Assets		
U. S. dollar	53,163,764	52,599,262
Japanese yen (i)	998,793	259,156
Euro	975,687	5,525,130
Gold	2,300,113	2,030,922
SDR (ii)	3,256,625	3,249,983
British pound sterling	447,802	1,706,287
Other currencies	10,460,996	7,738,736
	<u>71,603,780</u>	<u>73,109,476</u>
Liabilities		
U. S. dollar	17,452,779	18,260,150
SDR (ii)	2,552,737	2,787,789
Other currencies	26,730	21,058
	<u>20,032,246</u>	<u>21,068,997</u>
Net assets	<u>51,571,534</u>	<u>52,040,479</u>

- (i) As of December 31, 2023 and 2022 there is no exposure to this currency since it is fully hedged with forward operations (note 20(b)).
- (ii) The SDR is an international reserve asset created by the IMF and allocated to its member countries in proportion to their participation quota as such. The value of the SDR is calculated on a daily basis, adding the values in U.S. dollars (midday London quotation)) of a basket of five currencies (U.S. dollar, euro, Chinese renminbi, Japanese yen and pound sterling). The amounts of each of the currencies of the SDR basket are calculated according to agreed percentages.
- (c) As of December 31, the quotations of the main currencies used by the Central Bank in relation to the U.S. dollar are as follows:

	<u>2023</u> (S/ 000)	<u>2022</u> (S/ 000)
Gold troy ounce	2,063.390000	1,821.880000
Pound sterling	1.274600	1.206300
SDR	1.342080	1.330840
Euro	1.104000	1.069700
Japanese yen	0.007091	0.007634

As established in Article 89 of the Organic Act, in 2023, the Central Bank recorded a net negative valuation adjustment of foreign currency of S/ 3,273 million (net positive adjustment of S/ 8,883 million as of December 31, 2022) in "Valuation Adjustment Article 89 – Organic Act" in equity, see note 17(e).

The following table shows the analysis of sensitivity to changes in the quotations of the main currencies to which the Central Bank has exposure as of December 31, 2023 and 2022. The analysis determines the effect of devaluation or revaluation of a reasonably possible variation of the exchange rate of the sol against foreign currencies, considering that all other variables remain constant in the statement of profit or loss and other comprehensive income. A negative amount reflects a potential net reduction in equity, while a positive amount reflects a potential net increase. In both cases, these changes do not affect the Central Bank's profits since they are recorded as exchange differences in equity.

Analysis of Sensitivity	Change in exchange rates	2023 (S/ 000)	2022 (S/ 000)
Devaluation			
U. S. dollars	5%	9,553,558	9,908,432
U. S. dollars	10%	19,107,116	19,816,865
Pound sterling	5%	82,869	324,782
Pound sterling	10%	165,738	649,565
Japanese yen	5%	185,001	49,343
Japanese yen	10%	370,001	98,686
Euro	5%	180,265	1,051,985
Euro	10%	360,531	2,103,970
Revaluation			
U. S. dollars	5%	(9,553,558)	(9,908,432)
U. S. dollars	10%	(19,107,116)	(19,816,865)
Pound sterling	5%	(82,869)	(324,782)
Pound sterling	10%	(165,738)	(649,565)
Japanese yen	5%	(185,001)	(49,343)
Japanese yen	10%	(370,001)	(98,686)
Euro	5%	(180,265)	(1,051,985)
Euro	10%	(360,531)	(2,103,970)

iv. Interest rate risk

It is related to unexpected changes in the market return rates of the portfolio's fixed income assets, which may affect the market value of investments before their maturity. The longer the maturity period of investments, the greater the impact of changes in the return on the market value of said investments. The measurement of said impact is reflected in the portfolio's duration, which reflects the risk-return preferences of the Board of Directors.

The Central Bank faces this risk by considering the maturity structure of the liabilities for the maturity composition of its assets. This makes the total portfolio duration lower, so the impact of changes in interest rates on the market value of the portfolio is limited. Likewise, maximum investment terms have been established, consistent with the market risk profile desired for each portfolio instrument.

As of December 31, 2023 and 2022, the average duration of the investment portfolio is primarily current, comprised of internally managed international assets, mainly deposits in foreign banks, investments in securities and gold holdings.

v. *Operating risk*

The Bank defines the risk as the effect of uncertainty or the possibility of occurrence of an event that affects its ability to meet its strategic objectives and functions, safeguard the value of its equity and protect its reputation, image and credibility. In this sense, operating risk refers to the potential negative impact on the Bank's ability to comply effectively with its objectives and responsibilities, in the form of losses or interruptions arising from the failure or inadequacy of internal processes, systems or personnel, or from external events:

Risk management is an integral part of all the Bank's activities, from strategic planning and decision making to the execution of processes and the development of projects. Comprehensive risk management forms part of the Bank's organizational culture and it is the responsibility of all personnel on each of its levels. The Bank manages its risks based on a structured and exhaustive focus which contributes to consistent and comparable results, for which it relies on a structure of governance that assigns clear responsibilities.

The reports with results are presented by the Risk Management to the Risk Committee, a body that becomes aware of the implementation of process improvement actions and decides on the implementation of risk treatment measures.

25. INFORMATION ABOUT THE FAIR VALUE OF THE FINANCIAL STATEMENTS

Fair value or estimated market value is the price that would be received for selling an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use to price the asset or liability, assuming that the market participants act in their best economic interest.

When a financial instrument is traded in an active and liquid market, its quoted market price in a real transaction provides the best evidence of its fair value. When a quoted market price is not available or it cannot be indicative of the fair value of the instrument, the fair value may be determined using the market value of another similar instrument, discounted cash flow analysis or other applicable techniques, which are significantly affected by the assumptions made. Management has used its best judgment in the measurement of the fair values of its financial instruments, Fair value may not be indicative of the net realizable value or settlement value of said instruments.

The methodologies and assumptions applied to determine the estimated market values at December 31, 2023 and 2022, in the applicable cases, according to the policies of the Central Bank, depend on the risk terms and characteristics of the different financial instruments, as shown below.

- Cash in foreign currency and deposits with foreign banks represent cash and term deposits in banks at terms of up to 90 days, respectively, which do not represent significant credit risks or interest rate risks.

- The carrying amount of the securities of international entities classified as FVOCI corresponds to their estimated market value.
- The carrying amount of gold corresponds to its market value.
- The values of the contributions to and deposits with international organizations are considered to correspond to their fair values, since they represent the amount that would be received if the Central Bank ceased to be a member of said organizations. Additionally, contributions to international organizations cannot be traded with third parties and generate interest at rates based on their market risk.
- Securities in circulation accrue interest at fixed and variable rates according to the respective issuance.
- Deposits in domestic and foreign currency accrue interest at fixed and variable rates, which are fixed at terms of less than a year by the Central Bank.
- The carrying amount of the currency held by the Central Bank in "Monetary base" corresponds to its market value, since it represents the currency in circulation in the Peruvian economy.

Additionally, IFRS 13 "Fair Value Measurement" establishes a fair value hierarchy, which segregates the inputs and/or assumptions of valuation techniques used to measure the fair value of financial instruments. The hierarchy provides the maximum priority to unadjusted quoted prices in active markets, for identical assets or liabilities (level 1) and the lowest priority to measures that involve significant input or unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

- Level 1, quoted prices (unadjusted) in active markets for assets or liabilities identical to those that the entity can access at the measurement date.
- Level 2, input data other than quoted prices included in Level 1 that are observable for the assets or liabilities, directly or indirectly.
- Level 3, unobservable input data for the asset or liability.

Given the characteristics of the investment instruments held by the Bank (mainly fixed income instruments traded in secondary markets of high liquidity and depth), these are mostly classified in the hierarchy: Level 1 (quoted prices) of fair value.

The fair value and the hierarchy by levels of the national instruments that are measured on a recurring fair value basis are shown in Note 24.

Consequently, as of December 31, 2023 and 2022, the Central Bank's Management considers that the estimated fair values of its financial instruments do not significantly differ from their carrying amounts.

26. SUBSEQUENT EVENTS

Regarding the financial statements as of December 31, 2023, there are no known subsequent events that occurred between the closing date of the financial statements and the date of this report that may significantly affect them.